THE REPUBLIC OF UGANDA
MINISTRY OF GENDER, LABOUR, AND
SOCIAL DEVELOPMENT

REPORT OF

FEASIBILITY STUDY OF GOVERNMENT PAYMENT MECHANISMS FOR POSSIBLE DEPLOYMENT IN SOCIAL PROTECTION PROGRAMMES

NOVEMBER 2023

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Foreword

Globally cash Transfers has emerged as a major instrument for Social Protection to address risks and vulnerabilities. Uganda has for the last 12 years implemented the Social Assistance Grants specifically the Senior Citizens Grant and tested several payment platforms including mobile money and banks to pay social protection beneficiaries.

The need to make these payment mechanisms more friendly to vulnerable people is evident as such, the Ministry of Gender, Labour and Social Development together with World Food Programme explored the IFMS feasibility study to see how existing Government payment mechanisms can be used to make payments to Social Protection beneficiaries.

The findings of this study are important and will help us to design a pilot programme to test some of the existing payment mechanisms.

The findings of the study should be of interest to Social Protection practitioners as they programme and implement cash transfer programmes

I hope you find the IFMS Feasibility study report and its findings informative and enriching to your work

James EBITU

For: PERMANENT SECRETARY

Acknowledgements

The feasibility study of government payment mechanisms namely IFMS (Integrated Financial Management System), BBS connect (Bank of Uganda banking system), easy cash (E-Cash) electronic system for possible deployment in social protection programmes is an activity under the Child Sensitive Social Protection programme (CSSP). The CSSP programme is a Sweden funded United Nations joint programme implemented by the Government of Uganda, World Food Programme (WFP) and UNICEF (United Nations Children's Fund) with the overall goal of improving community and household resilience among refugees and host populations in refugee-hosting districts of West Nile.

The report was prepared by the Technical Working Group (TWG) constituted by representatives of different Ministries, Departments and Agencies(MDAs) and technically supported by two consultant—Justus Otieno Oguna (international consultant) and Enock Mwami (senior national consultant). The TWG was chaired by Mr Titus Ouma of the Expanding Social Protection programme (ESP) under the Ministry of Gender, Labour and Social Development (MGLSD). The list of the members of the TWG is attached as appendix 6.2 to this report.

The report received inputs from Patience Masika, Emily Awili, and Daniel Winter Putan of the World Food Programme, Pedson Asiimwe of DRDIP (Development Response to Displacement Impacts Programme), Paul Onapa, Beatrice Okillan, Sam Acodu and Simon Ogaya of ESP.

Led by MGLSD, the process of the study was consultative and participatory, involving different social protection sub-sector stakeholders such as the Office of the Prime Minister (OPM) – DRDIP, relevant MDAs including the Ministry of Finance, Planning and Economic Development (MoFPED), the Ministry of Local Government (MoLG), the Ministry of Public Service, the Ministry of Justice and Constitutional Affairs, Bank of Uganda, National Information and Registration Authority(NIRA), National Information and Technology Authority(NITA-U), District Local Governments of Koboko and Yumbe, and non-government actors including UN agencies and Finance Sector Deepening Uganda (FSDU).

Special appreciation is extended to Mr. Stephen Kasaija - Head of ESP-MGLSD, Dr. Robert Limlim – Director DRDIP, Bernard Wyler and Brian Kiswii of WFP for their excellent technical guidance and support to the study as well as preparation of the report.

Finally, yet equally important, appreciation goes to the development partners; WFP, Sida (Swedish International Development Cooperation Agency) and UNICEF for their continued commitment to fund social protection in Uganda without which the production of this report would not have been possible.

Executive Summary

The purpose of this study was to assess the feasibility of deploying Government to Persons (G2P) payment systems mainly the government's IFMS, BBS and E-Cash to support beneficiary payments under the Social Assistance Grants for Empowerment (SAGE) and OPM's DRDIP and whether there are other G2P platforms that are better suited to support social protection assistance cash transfers.

The study involved a situational analysis of the existing systems, policies, processes, and tools used to deliver social protection payments. The study also examined the capacity of Local Governments (LG) to use social protection payment platforms and related costs.

With a few challenges highlighted in the report notwithstanding, the feasibility study confirms that it is possible to execute social protection payments using IFMS connected to the BBS core banking system and E-Cash, to enable social protection beneficiaries directly receive their payments either through their bank accounts or by mobile money. Cost analysis assuming 300,000 beneficiaries in the SAGE programme shows the government would save UGX 1,740,000,000 annually in transaction costs using the IFMS payment system, or UGX 3,285,000,000 using the E-Cash payment platform, in comparison to the current SAGE payment system through Centenary Bank. Additionally, government would save UGX 2,107,240,160 and UGX 1,188,104,000 in transaction costs using E-Cash and IFMS respectively in comparison with the existing DRDIP payment system. Overall, government would realise benefits by paying SAGE/DRDIP beneficiaries using electronic payment systems.

Continuing to rely on conventional cash payment methods for disbursing social assistance grants engenders a lack of transparency in the distribution process, impeding the ability to track fund allocation and verify the equitable provision of aid to elderly beneficiaries. Secondly, the reliance on physical cash transactions exposes both recipients and distribution personnel to heightened security risks, potentially resulting in theft, fraud, or loss, particularly considering the vulnerabilities of the elderly. Moreover, the costs for government in disbursing the funds are high compared to cashless options as indicated above. Transitioning to electronic payment mechanisms therefore offers a solution to these challenges by enhancing security, transparency, and cost-effectiveness while facilitating beneficiary empowerment.

Any decision to change the current mode of delivery for social protection payments should be taken after careful consideration of several issues including users' capacity to process social protection payments using the recommended options; financial services penetration in local governments; and the costs to the beneficiary vis-a-vis amounts involved and convenience/ease of use. A phased approach to implementing the proposed payment systems should be considered, guided by the readiness of local governments in terms of the required mobile telecommunication network, electricity coverage and access to financial services.

This report presents key findings, and recommendations and proposes high-level actions that stakeholders need to implement to be able to deliver social protection payments through the proposed payment platforms.

Abbreviations

API	Application Programme Interface
ATM	Automated Teller Machine
BBS	Bank of Uganda Banking System
BoU	Bank of Uganda
CAO	Chief Administrative Officer
CDO	Community Development Officers
CF	Community Facilitator
CNM	Capacity Needs Mapping
CPMC	Community Project Management Committee
CSSP	Child Sensitive Social Protection
DDO	DRDIP Desk Officer
DLG	District Local Government
DRDIP	Development Response to Displacement Impacts Project
FSDU	Financial Sector Deepening Uganda
E-Cash	Electronic Cash
EFT	Electronic Funds Transfer
ESP	Expanding Social Protection
G2P	Government to Person
GoU	Government of Uganda
ID	Identification
IFMS	Integrated Financial Management System
IGAD	Intergovernmental Agency on Development
IT	Information Technology
LC	Local Council
LG	Local Government
LIPW	Labour-Intensive Public works
LSP	Livelihood Support Programme
MALG	Ministries, Agencies and Local Governments
MDA	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MGLSD	Ministry of Gender, Labour and Social Development
MIS	Management Information System
MOU	Memorandum of Understanding
NIN	National Identity Number
NIRA	National Identification and Registration Authority
NITA-U	National Information Technology Authority

NPS	National Payment System
NSPP	National Social Protection Policy
NSR	National Single Registry
OM	Operational Manual
PSP	Payment Service Provider
OPM	Office of the Prime Minister
PFM	Public Financial Management
RSA	Rivest Shamir Adleman Data Security Inc
RTGS	Real Time Gross settlement
SACCO	Savings and Credit Cooperative Organizations
SAGE	Social Assistance Grants for Empowerment
SCG	Senior Citizens' Grant
Sida	Swedish International Development Cooperation Agency
SLA	Service Level Agreements
SP	Social Protection
STP	Straight Through Processing
TCV	Time Cost and Visit
TIN	Tax Identification Number
TSA	Treasury Single Account
TST	Technical Support Team
TWG	Technical Working Group
UGX	Ugandan Shilling
UNICEF	United Nations Children's Fund
UNJP	United Nations Joint Programme
VFM	Value for Money
VSLA	Village Savings and Loan Association
WFP	World Food Programme

1. Introduction

1.1. Background

Since July 2019, the Government of Uganda has implemented initiatives aimed at making social protection and health systems more efficient, transparent, child-and nutrition-sensitive, and to scale up their coverage and efficiency.

These initiatives are informed by a comprehensive capacity needs mapping (CNM) conducted in three West Nile District Local Governments (DLG) by the Ministry of Gender, Labour and Social Development in collaboration with OPM-DRDIP and the three LGs, and with support from WFP. The CNM determined the need to strengthen social assistance cash delivery systems in West Nile and recommended exploring the use of the government's Integrated Financial Management System to make cash transfers.

To determine the feasibility of this recommendation, the Ministry of Gender, Labour and Social Development, between March and April 2022 assessed the feasibility of deploying G2P systems, mainly the government's IFMS, Bank of Uganda's BBS-Connect and E-Cash to support beneficiary payments under the SAGE and OPM's DRDIP; and whether there are other G2P platforms that are better suited to support social protection assistance cash transfers.

The feasibility study explored the integration of SAGE and DRDIP financial management into district-level IFMS, BBS Connect and E-Cash, among other electronic systems.

1.2. Rationale

To strengthen cash delivery mechanisms, the capacity needs mapping recommended integrating SAGE financial management into district-level IFMS, BBS Connect (Bank of Uganda Banking system), and E-Cash, among other electronic systems. It was envisaged that this would address the existing challenges of the current social protection payment systems, namely:

I. Lengthy time taken to process payments from GoU to beneficiaries.
II. Payment Service Providers (PSP) taking long to credit beneficiaries' accounts, in addition to delays in organising cash-out events.
III. High cost of transfer per transaction (Ugx. 3,450)
IV. Cost to beneficiaries and other inconveniences such as cost related to access of pay points.
V. Security and safety of beneficiaries during paydays.

To implement this recommendation, government through the relevant ministries with support from WFP proposed a feasibility study on various payment mechanisms operational in Uganda that would be deployed to support social protection beneficiary payments.

This report provides key findings of the feasibility study and recommendations on the most viable solution, and the enabling operational and legal environment required to effectively and efficiently deliver SAGE and DRDIP beneficiary payments using the proposed social protection payment systems.

1.3. Objective

The overall objective was to conduct a feasibility study on GoU-IFMS, BBS Connect and E-Cash electronic systems as payment delivery mechanisms for SAGE and DRDIP beneficiaries and vendors under social protection programmes in West Nile.

The specific objectives of the whole activity were:

I. To identify key areas in SAGE and DRDIP payment systems for the feasibility study.
II. To establish activities in the SAGE and DRDIP programmes for deployment into IFMS, BBS Connect and E-Cash systems.
III. To prepare roadmap for piloting of payments through an identified electronic G2P system to deliver payments to SAGE and DRDIP beneficiaries as well as vendors under social protection programmes in two selected local governments in West Nile.
IV. To identify the roles of the different MDAs and other stakeholders in the proposed payment mechanism.

1.4. Scope of the feasibility study

The feasibility study targeted key MDAs involved in the implementation of SAGE and DRDIP at national and sub-national levels. At sub-national level, the study focused on two districts in the West Nile sub region, namely: Koboko and Yumbe. The focus on two local governments was to enable deeper analysis of the structures, systems, and implementation approaches of the SAGE and DRDIP programmes.

Yumbe and Koboko were selected based on a scientifically developed criteria with parameters suitable to fit in the recommendations of the capacity needs mapping. The parameters for selection of the local governments were as follows:

I. Should be implementing SAGE, DRDIP, and any other social protection programmes.
II. Should be among West Nile refugee hosting and impact local governments.
III. They should already be enrolled on IFMS/E-Cash/BBS.
IV. Existence of financial institutions (Banks, Mobile Money Agents etc.) regulated by the Bank of Uganda.
V. The local government should have at least 500 to 1,000 cash-based transfer beneficiaries of social protection programmes.
VI. Availability of a NIRA Office.
VII. Length of years implementing SP programmes.
VIII. Access to electricity.

The study targeted two social protection programmes—DRDIP and SAGE implemented by the OPM and Ministry of Gender, Labour and Social Development respectively. It is important to clarify that the scope of the study was limited to direct income support initiatives.

Under SAGE, the study aimed at establishing the possibility of paying beneficiaries through IFMS, BBS Connect and E-Cash systems and enrolment requirements for beneficiaries. Under DRDIP the study focused on establishing the possibility of supporting programme operations especially payments to beneficiaries of Labour-Intensive Public Works (LIPW) programmes.

Whereas the geographic scope of the study was limited to Koboko and Yumbe districts, the findings can be applied to other local governments in Uganda.

1.5. Outputs

The major outputs of the feasibility study include the following:

I. Situational analysis report on existing DRDIP and SAGE payment modalities.
II. Report on findings and recommendations including on required policy and systems enhancements to support deployment of the proposed payment mechanism for both SAGE and DRDIP beneficiaries.
III. A policy brief on suitable social protection cash delivery mechanism.
IV. Recommendations on the required capacity levels at national and local governments to implement the proposed payment mechanism.
V. Cost-benefit analysis on the use of the proposed payment mechanism and the associated risks.
VI. Recommendations on strategies that the programmes would use to deploy the proposed payment mechanism.
VII. Proposed Roadmap for piloting of payment mechanism with indicative timelines.

1.6. Approach and methodology

The study methodology included six core phases:

Phase 1: **Pre - inception:** This phase involved the development of a concept note that was reviewed and validated by the TWG.

Phase 2: **Inception:** This phase involved a kick-off meeting, with government and WFP officials. The main agenda of this meeting was to discuss and agree on the revision of the concept note, the strategic direction of the assignment and the timelines set in the work plan. The included introductions and assignment of roles and responsibilities, discussion of the assignment parameters, expectations of stakeholders and agreement on working modalities. This phase also involved preparation and validation of the inception report and work plan.

Phase 3: **Formation of the TWG:** In the third phase, a TWG comprising government representatives drawn from relevant MDAs and other key stakeholders was formed to provide technical oversight to the assignment from inception to completion.

The overall role of the TWG was to provide leadership and strategic guidance before, during and after the feasibility study. The Specific objectives of TWG included:

- To lead preliminary preparation for the feasibility study.
- To monitor and provide field support to the consultants during the feasibility study.
- To lead the implementation of the outcomes of the study.

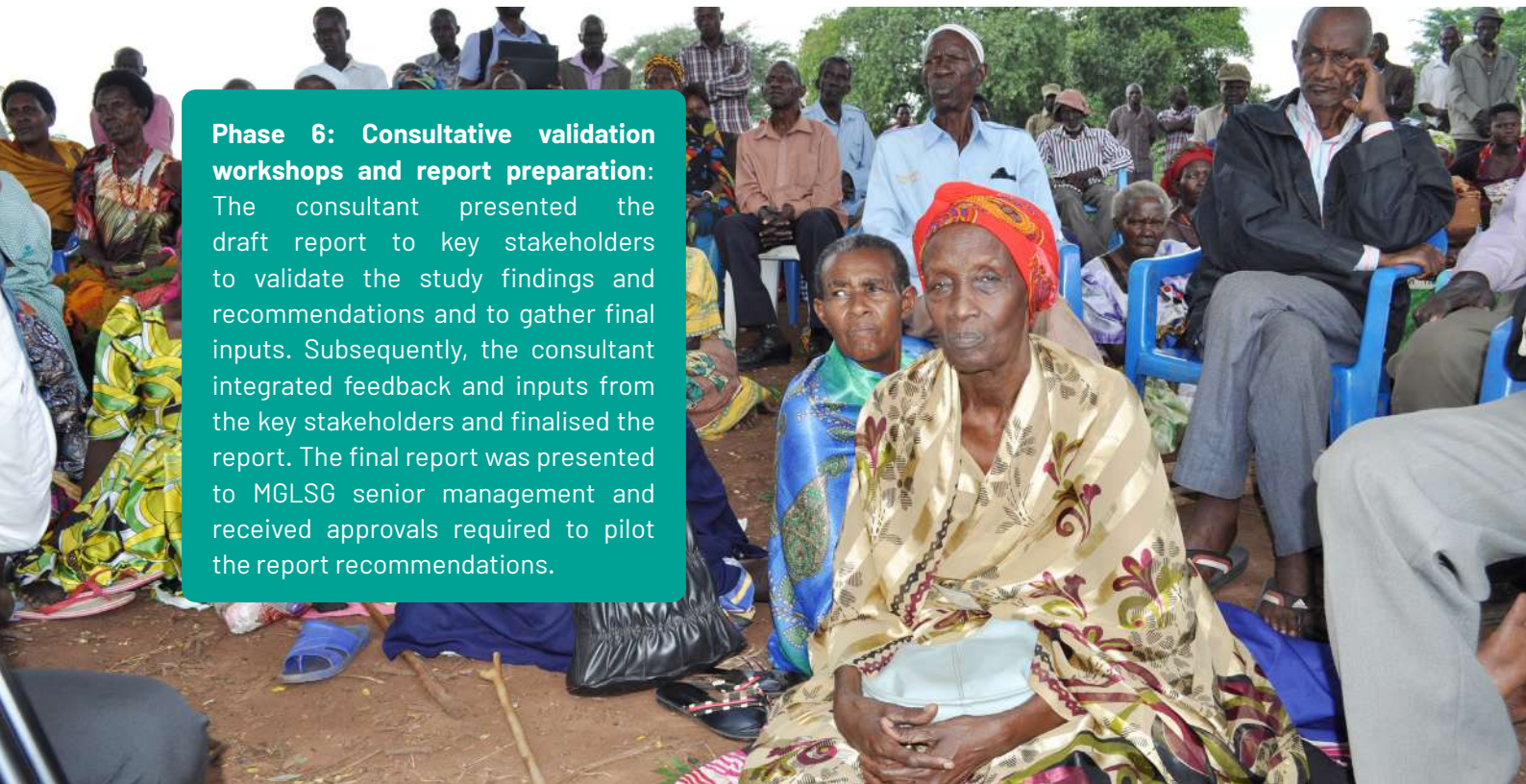
The team composition of the TWG is provided under annexes of the report.

Phase 4: **Preliminary assessment of needs:** Several activities were carried out under this phase including a literature review of key documents such as National Social Protection Policy 2015, Nation Social Protection Programme Plan of Implementation, National Payment systems policy, IFMS Journey, SAGE and DRDIP operational manuals, etc. ***The comprehensive list of documents reviewed is provided under Appendix 6.1.*** Other key activities conducted in phase 4 included selection of local governments for the study and development and validation of data collection tools.

Phase 5: **Interviews and field visits:** In this phase, the study team interviewed MDAs at national level and officials from the two selected districts. Some of the key stakeholders interviewed at national level included MGLSD officials responsible for the National Single Registry (NSR), accounts department, and ESP; OPM – DRDIP, Bank of Uganda, MoFPED (the accountant general), National Identification and Registration Authority (NIRA), National Information Technology Authority (NITA-U), Ministry of Public Service and Ministry of Justice and Constitutional Affairs. Non-government actors interviewed include WFP and Financial Sector Deepening Uganda (FSDU).

Between April 25th and 29th, 2022, the consultant and the TWG visited Yumbe and Koboko districts, in the West Nile region of Uganda to gather stakeholders' perspectives on usage of the current social protection payment platforms and experience of using various government payment systems, specifically IFMS, BBS- connect, and E-Cash. During the field visits to local governments, the following stakeholders were interviewed:

- At district level – Chief Administrative Officers (CAO), Chief Finance Officers (CFO), District Community Development Officers (DCDO), District Desk Officers (DDO), planners, environmental focal persons, and auditors.
- At sub-county level - sub-county CDO (Community Development Officer), parish chiefs, Community Facilitators, SAGE beneficiaries and DRDIP beneficiaries.
- Banks, SACCOs (Savings and Credit Cooperative Organisation/Village Savings and Loan Associations (VSLA), mobile money service centers, bank agents, and NIRA officers.



Phase 6: Consultative validation workshops and report preparation: The consultant presented the draft report to key stakeholders to validate the study findings and recommendations and to gather final inputs. Subsequently, the consultant integrated feedback and inputs from the key stakeholders and finalised the report. The final report was presented to MGLSG senior management and received approvals required to pilot the report recommendations.

2. Situational Analysis

This chapter provides an overview of the SAGE and DRDIP social protection programmes and their payment modalities and findings of the situational assessment of the existing government payment system and the existing legal and policy framework. It also includes an analysis of local governments' capacity to utilise social protection payment platforms.

2.1. Overview of the SAGE and DRDIP social protection programmes and beneficiary payment modalities

2.1.1. SAGE

Since 2006, the Ministry of Gender, Labour and Social Development championed efforts to promote a coordinated approach to social protection in Uganda. These efforts culminated in the design of flagship programmes including the Senior Citizens Grant SCG) implemented by the ESP. The SCG is a non- contributory regular and predictable transfer in cash or kind, to guarantee a minimum level of income or consumption for senior citizens. The grant is a key component of the national social protection system and has been vital in the development of foundational systems required for comprehensive social protection.

The SCG has four core implementation processes/steps in line with the programme implementation guidelines:

I. **Targeting:** This is the selection of potential beneficiaries from the database of older persons obtained from NIRA using the approved targeting criteria. The targeting process is automated through the SAGE Management Information System (MIS). The SCG targeting process is informed by projections made during the annual Government of Uganda (GoU) planning and budgeting cycle. Targeting of potential beneficiaries is done on an annual basis.

II. **Verification of beneficiaries:** This is the process of confirming the existence, identity and eligibility of targeted beneficiaries. The national identity card is the primary document used to verify the age of all potential beneficiaries although the SCG guidelines also specify additional documents that can be used to verify the identity of potential beneficiaries who do not have national IDs.

III. **Registration and enrolment of beneficiaries:** Every older person who is eligible to benefit from SCG is required to formally register by filling out the SCG registration form. Among other things, in the process of registration, targeted older persons are expected to consent to benefit from SCG. Thereafter an account is opened by the PSP for the beneficiary to be enrolled.

IV. **Payment of beneficiaries:** This is the process leading to the disbursement of cash to SCG beneficiaries through a PSP contracted by government. The SCG beneficiaries receive a monthly entitlement of UGX 25,000. Today all older persons aged 80 years and above are entitled to the grant.

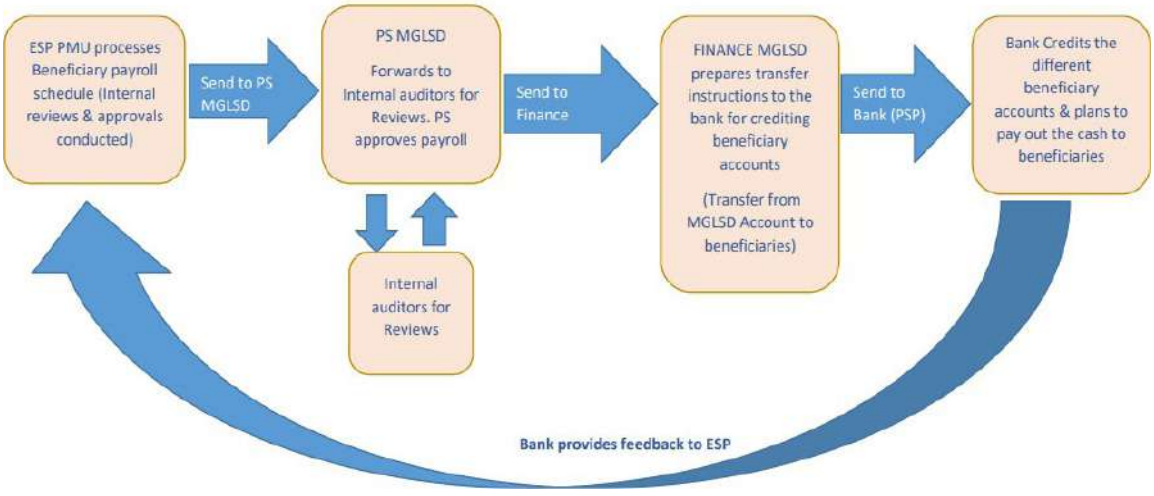
The process of payments of the grant to beneficiaries involves sub-county CDOs setting -up pay points and conducting prepayment addresses, roll calling of beneficiaries and guiding them to the PSP, the PSP verifies the beneficiaries' identity and initiates withdrawal processes. After, the beneficiaries authorise withdrawal using biometrics. The PSP then issues a withdrawal slip and directs beneficiaries to cash out points i.e., the PSP Bullion van. Thereafter beneficiaries receive cash and exit the pay point.

Table 1: Current payroll generation and payment process for SAGE beneficiaries

#	PROCESS	RESPONSIBLE PARTY
1	Payroll sent to SAGE MIS unit staff detailing instructions to local governments to pay and entitlement months to be paid • Prior plan of beneficiary payments is in place • Discussion with head of programme and finance team on available funds is done	SAGE Operations Coordinator
2	Pre-payroll checks generation • Check against all names in the database to eliminate duplicates. • Check to ensure that all payments are not less or greater than UGX 50,000, which is the set bi-monthly payment per beneficiary. • Determine if there are changes of beneficiaries' account numbers and status from previous payments.	MIS Unit staff
3	Pre-payroll checks review and approval/or rejection • Review and approve/mark as genuine or reject the suspected duplicate beneficiary. • Review and approve/mark as genuine or reject suspicious payments depending on the months being paid or arrears for a beneficiary. • Review and approve/mark as genuine or reject the change of beneficiary account numbers and status from previous payments.	SAGE Operations Coordinator
4	Funds request generation • Generate entitlement amounts per beneficiary for the months selected and withdrawal and service charges.	MIS Unit staff
5	Funds request review and approval/or rejection • Review and approve or reject the amounts generated. Extract the detailed file from system for review.	SAGE Operations Coordinator
6	Payment schedule generation • Details as per funds requests, entitlement amounts per beneficiary for the months selected, withdrawal and service charges to be paid.	MIS Unit staff
7	Payment schedule review and approval/or rejection • Review and approve or reject the amounts generated. Extract the detailed file from system for review. Payroll details is ready in the system after approval.	SAGE Operations coordinator
8	Internal audit review • Internal audit receives hardcopy and soft copy details for review.	Internal audit
9	Payment instructions to the bank • Final payroll instruction from audit is sent to finance to process instructions to the bank. Review and approval by permanent secretary's office.	Finance
10	Bank receives payment schedule and credits beneficiary accounts • Payroll schedule includes details of beneficiaries (ID, name, account number, entitlement amount and charges) from the MIS and downloads file. Bank credits accounts. • Bank internal approval processes are followed.	Bank/PSP

#	PROCESS	RESPONSIBLE PARTY
	• The payroll schedule file downloaded is decrypted at bankside and file is in standard designed format. • Report of crediting is in standard designed formats.	
11	Upload of payment report to MIS • After crediting the beneficiary accounts, the bank uploads the files with crediting report direct into the MIS. • The system conducts checks on the file being uploaded. Checks done include (ID, name, account number, entitlement amount and charges against the original details in the payment schedule).	Bank/PSP
12	Payment reconciliation (post-payroll checks generation) • Post-payroll checks done (ID, name, account number, entitlement amount and charges in uploaded file against original details in the payment schedule). Bank generates summary report for review.	MIS unit staff
13	Payment reconciliation (review and approval/ or rejection) • The Post-Payroll checks done are reviewed and approved, this generates a summary cycle report.	SAGE Operations Coordinator
14	Cycle report generated • The summary cycle report is used by finance to check against the bank account statement to confirm transfer of funds as per payment instructions. This closes the payment cycle.	Finance

Figure 1: SAGE beneficiary payment transfer process



Source: Concept note of the feasibility study

It is important to note that SAGE has two types of payments including allowances for local government employees and SCG benefits. This study assessed the feasibility of paying SCG beneficiaries through IFMS, BBS Connect and E-Cash electronic systems and what would be required of SCG beneficiaries to be enrolled onto IFMS, BBS Connect and E-Cash electronic systems. By accessing their payments through IFMS, BBS Connect and E-Cash electronic systems, beneficiaries will not have to move to pay points to access their benefits.

2.1.2. DRDIP

DRDIP is a 5-year GoU multi-sectoral project under the IGAD (Intergovernmental Authority on Development) arrangement aimed at improving access to social services, expanding economic opportunities, and enhancing environmental management in the refugee-hosting local governments. The project is coordinated by OPM and implemented in 15 districts of Adjumani, Yumbe, Koboko, Lamwo, Kamwenge, Isingiro, Kiryadongo, Kyegegwa, Arua, Hoima and Moyo.

The project seeks to address the social, economic, and environmental impacts of refugee presence in host communities through interlinked technical and investment components of:

i) social and economic services and infrastructure;

ii) sustainable environmental and natural resource management and access to energy;

iii) livelihoods support; and

iv) project policy and accountability systems support and administration. The project targets both host and refugee communities and households through the first three core components.

This study focuses on the second component that uses a Labour-Intensive Public Works (LIPW) approach to target the most vulnerable households to earn income and establish community assets. The LIPW also provides direct cash transfers to unable bodied households who are vulnerable but unable to provide labour. The beneficiaries participate in LIPW for a total of 54 days in a financial year and earn UGX 5,500 per day worked. Participants are required to make a saving of 30% of their earnings to a group revolving account, that members can access as revolving loans.

Participants work on community assets and payments to the LIPW participants are done through group accounts by the respective sub-projects' management committees. DRDIP social protection payments to beneficiaries are transmitted either directly from OPM to local governments accounts held in commercial banks, or go through the IFMS to the Bank of Uganda, which transfers the money to the local governments' accounts, and for onward RTGS (Real Time Gross Settlement) or EFT (Electronic Funds Transfers) to community group accounts in commercial banks. From the group accounts, the money is withdrawn in cash by the group leadership and paid out to members. This approach is implemented in Madi Okollo and Terego districts.

Alternatively, funds are channelled through the IFMS, from the government TSA (Treasury Single Account) to local government accounts, and subsequently to the community group accounts. This approach is implemented in Moyo, Yumbe, Adjumani, Arua, Koboko and Obongi Local Governments. However, as of July 2022, all local governments have been migrated to the IFMS.

There are risks that LIPW participants may not receive their full entitlement due to fraud and theft associated with cash payments a risk that would be addressed by enrolling DRDIP-LIPW beneficiaries onto G2P electronic systems.

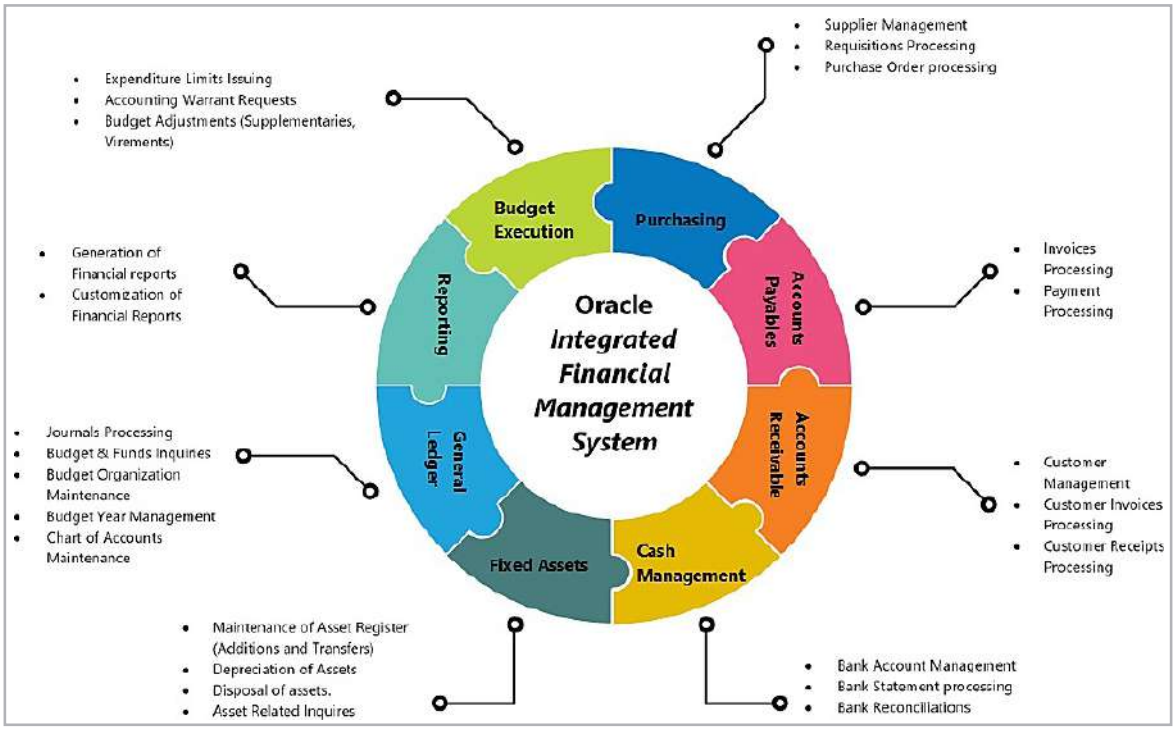
2.2. Existing Government of Uganda G2P Payment Platforms that can be used to deliver Social Protection Payments

Below are the main GoU existing payment systems that can be used for social protection payments, their salient features and functionality.

2.2.1. IFMS

The Integrated Financial Management System is an IT (Information Technology)-based budgeting and accounting system that manages budgeting, spending, payment processing, accounting, and reporting for MDAs and local governments in Uganda. The system supports management of public sector budgetary, financial, and accounting operations and promotes better Public Financial Management (PFM) with a centralized registry of public sector revenues and expenditures. Presently IFMS is comprised of various modules as represented in figure 2 and interfaces with other government information processing systems as illustrated in figure 3.

Figure 2: Integrated Financial Management System modules[1]



Currently, the IFMS is only used for processing bulk payments of DRDIP and SAGE social protection beneficiaries.

The DRDIP payment process using IFMS is as follows:

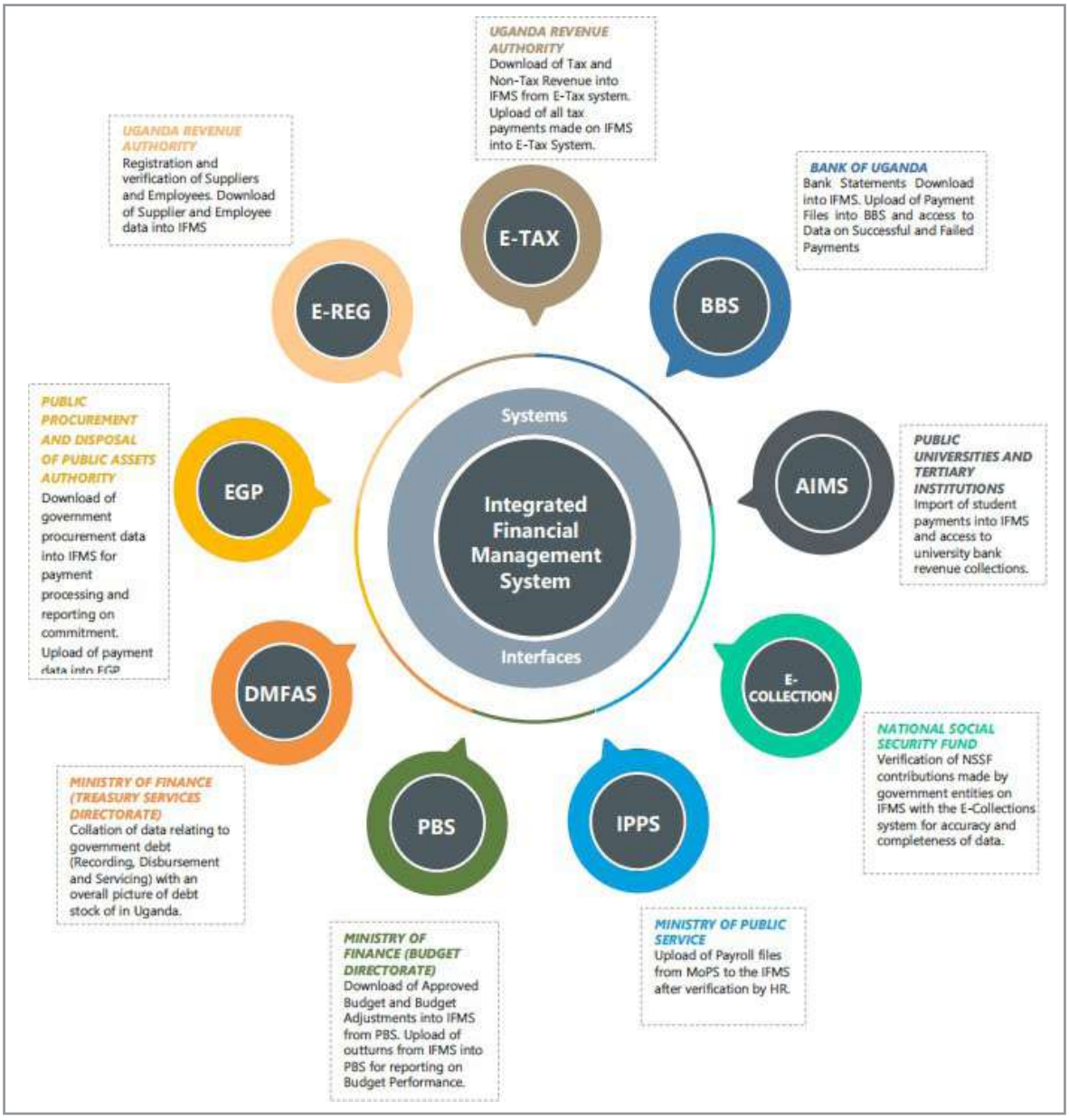
- OPM transfers money to the local government TSA in the Bank of Uganda.
- The accounting officer of OPM requests the accountant general to issue expenditure limits to local governments.
- Local governments transfer funds to the community group accounts in commercial banks using IFMS.

1 IFMS – The Journey v6

- From the group accounts the money is withdrawn in cash by the group leadership and paid out to members.

As mentioned above, the IFMS interfaces with several other government systems as shown in figure 3 below. These interfaces mainly facilitate exchange or sharing of data to and from the IFMS with other government systems.

Figure 3: IFMS Interfaces with other Government Systems[2]



Whereas both SAGE and DRDIP have MIS for management of the social protection programmes and beneficiary data, these do not interface with IFMS and there is no seamless flow or exchange of beneficiary payment information between systems. SAGE MIS however established API (Application Programme Interface) an operational link with the NSR that enables it to automatically submit data and utilize the national ID verification service.

2 IFMS – The Journey v6

The IFMS supports straight through processing (STP), that enables embedding of all payment details within an EFT instruction so recipients' accounts can be directly credited. The challenge remains obtaining and uploading the required payee details into IFMS.

2.2.2. Electronic Cash (E-Cash)

E-Cash is a GoU electronic payment platform that is used to pay cash imprest, facilitate allowances to participants attending workshops and trainings, one-off cash compensations and any other cash pay-out that is not handled in the normal payment process. The sole service provider for E-Cash is Stanbic Bank. The E-Cash platform is a mobile commerce platform that can be accessed across a secure web portal. The platform is integrated with all the major telecoms in Uganda to enable beneficiaries to easily receive their monies on their mobile phones.

The purpose of this platform is to:

- Foster efficiency and convenience in the execution of cash payments to beneficiaries.
- Increase security and transparency of payment processing to ensure that funds are received by intended beneficiaries.
- To increase the ability to track funds disbursed to entities for cash pay-outs in real-time.
- Prevent fraud or loss of money due to theft or incorrect recording.
- Provide accountabilities for all disbursed funds through reports generated from the system.
- Ensure that beneficiaries are paid the right amount and at the right time.

The introduction of E-Cash was strictly to facilitate cash pay-outs in Uganda Shillings. Access to the platform is restricted to only those transactions where it is cumbersome to pay directly to the beneficiary bank accounts through EFT instructions generated through IFMS.

E-Cash is used to process the following cash payments:

- Facilitation allowances to participants attending workshops, seminars and trainings.
- One-off cash payments where it's not possible to get account details for set up on the IFMS and the amount is equal to or below the threshold.

The study found this payment platform quite suitable for payments to beneficiaries of social protection programmes since the characteristics of such payments aptly suit the purpose for which the platform was created.

2.2.3. BBS - Connect

BBS Connect is an online Bank of Uganda system that allows customers to perform banking transactions electronically through a safe and secure medium without physically visiting the bank. BBS Connect is a customised system of the Oracle banking digital experience that provides banking solutions that enable the Bank of Uganda to rapidly deliver digital capabilities to its customers. BBS Connect uses the STP method to process payments which are immediately handed off to the core system of BBS for final validations and processing to customers' accounts.

Access to BBS-Connect

- The system is we- based and a user can access it from any web browser or an online app and log in with a user ID and a 'self-generated' PIN plus a token code that is generated by an RSA token[3] at an interval of one minute.
- RSA secure ID (two-factor authentication) is integrated into the functionality of the BBS Connect to provide the utmost security and protection to all system users and operations.

Operation of BBS-Connect

- The system is currently used by BOU customers who include government MDAs to process payments. However, the government is phasing out the use of the BBS-Connect.
- It uses the maker-checker principle when processing payments whereby the maker initiates a transaction and rep the checker authorizes it for completion. The maker and checker are staff of the MDA officially nominated by the accounting officer to perform this role and endorsed by the office of the accountant general. A maker may be an agent or alternate signatory on the account while a final checker is usually an accounting officer unless where he/she delegates.
- There may be a level (s) of intermediate checkers created before the final authorizer for verification purposes.

Modes of payment

The following are the payment methods on BBS Connect:

- Own account transfer - transfer of funds from one account to another, both accounts being owned by the same bank customer.
- Internal account transfer - transfer of funds from one customer's account to another customer's account but within Bank of Uganda
- Domestic EFT of funds from one account in BoU to another in a financial institution within the country using the EFT window.
- RTGS - transfer of funds from an MDA's account in BoU to the beneficiary's account in a domestic financial institution using RTGS window.
- International funds transfer - transfer of funds from one account in BoU to the beneficiary's account in a financial institution outside Uganda through the international transfer window using SWIFT.
- Bulk file upload - suitable for high volume EFT transactions like salary payments, allowances and bills. It requires particular formats for payment files to be successfully uploaded.

Government through MoFPED is in the process of phasing out the BBS-Connect payment system because it by-passes the IFMS and requires the paying entity to possess a separate bank account at BoU, which contradicts with section 30 of the PFM Act that states that all revenues or other money raised or received for the purpose of government, shall be paid into and shall form part of the consolidated fund.

2.3. Legal and policy framework supporting SAGE and DRDIP payments

In addition to the SAGE and DRDIP operational manuals, the Government of Uganda has sufficient laws governing social protection programmes and the associated beneficiary payment systems.

3 Public-key encryption technology developed by RSA (Rivest Shamir Adleman) Data Security, Inc

2.3.1. Existing policies and legislation

I. National Social Protection Policy (NSPP) 2015: Uganda's comprehensive social protection policy was published in November 2015 and approved by the cabinet in 2016. The policy places social protection firmly within the framework of Uganda's Vision 2040, stating that ***'provision of social protection services to the different categories of the population is one of the strategic actions to achieve this vision'.*** The policy clearly defines social protection and stipulates two pillars for social protection delivery: social security and social care and support services. Social security is divided into two components, namely social insurance through contributory schemes targeting the working population in both formal and informal sectors, and direct income transfers, which are non-contributory transfers targeting vulnerable children, youth, women, people with disabilities and the elderly.

II. National payment systems policy: The policy was approved in 2017 with the aim of promoting the safety and efficiency of payment systems in Uganda as well as fostering financial sector stability and economic growth. The policy consists of the institutions, instruments, procedures, and technology used to facilitate the circulation of money within the country and internationally. It is an essential part of the national financial infrastructure and is by its nature dynamic. With the increased use of electronic payment systems in Uganda, it is necessary to ensure ease and safety of payments to facilitate smooth and timely flow of goods and services throughout the economy.

III. The National Payment Systems Act, 2020: The Act serves several purposes:

   a. Regulates payment systems
   b. Provides for the safety and efficiency of payment systems and for the functions of the central bank in relation to payment systems
   c. Prescribes the rules governing the oversight and protection of payment systems
   d. Provides for financial collateral arrangements to regulate payment service providers
   e. Regulates issuance of electronic money
   f. Provides for the oversight of payment instruments and for other related matters

IV. PFM Act, 2015 (as amended) and the PFM Regulations 2016: The PFM Act and regulations form the bedrock for the PFM reforms in government, and provide for budget preparation, management of the consolidated fund and commitments against the consolidated fund, bank account management, management of expenditure commitments among other provisions; for all government entities.

V. Treasury instructions 2017: The instructions contain PFM functions and procedures to be followed in administering the financial control mechanism of government. The instructions contain policies and systems, procedures and forms for conducting PFM by government and guide and regulate officials responsible for financial management.

VI. Data Protection and Privacy Act 2019: Uganda passed the Data Protection and Privacy Act, 2019 ('the Act') in 2019 and the Data Protection and Privacy Regulations, 2021 ('the Regulations') in May 2021. The Act and regulations support privacy protections which are already guaranteed to Ugandans under the constitution and complement sectoral laws for regulated activities that previously incorporated data protection provisions. The objective of the Act is to protect the privacy of individuals by regulating the collection and processing of personal information in Uganda and for Ugandan citizens abroad. The Act provides for the rights of the persons whose

data is collected and the obligations of data collectors, data processers and data controllers; as well as regulating the use or disclosure of personal information. The Act gives individuals powers to exercise control over their personal data including consent to the collection and processing, or to request for the correction and deletion of personal data.

VII. The Registration of Persons Act, 2015: The Act harmonizes and consolidates the law on the registration of persons, provides for registration of individuals and the establishment of a national identification register as well as a national registration and identification authority. The ACT also provides for the issuance of national identification cards and alien identification cards, and for related matters.

VIII. DRDIP operations manual: The manual provides implementation guidance for planned project activities including basic information on the scope and framework for the implementation of various key activities across the project stages. The manual is instrumental for technical staff working at Technical Support Team (TST), sub-county, district and field levels to carry out their tasks efficiently. It provides information on funds flow from the national to the local government level and to the group accounts. The manual also provides information on DRDIP MIS and how monitoring and evaluation are undertaken by project staff. The DRDIP manual is further augmented by the LIPW handbook that gives detailed guidance on the implementation of this specific component.

Sections of this manual shall need to be revised if proposed payment mechanisms are adopted.

IX. SAGE operational manual: The operational manual summarizes the entire project cycle of the Senior Citizen's Grant covering the implementation structure, communications, training, identification and verification, targeting, registration, payments, monitoring and evaluation, change management and grievances. Specific guidelines have been developed for each area and contain further detail on tools, processes, roles and responsibilities both at the central and local levels. An important caveat is that this operational manual combines current and proposed processes due to the transitional nature of the programme.

Sections of this manual shall need to be revised if proposed payment mechanisms are adopted.

X. E-Cash operational manual: This document is a product of the Government of Uganda and provides for GoU-implemented PFM reforms geared towards ensuring efficient, effective, transparent and accountable use of public resources. One of the challenges is the management of cash transactions in government entities. Although cash transactions are susceptible to control risks such as lack of accountability, misuse of funds and incorrect recording, it is inevitable that some Ministries, Agencies and Local Governments (MALGs) draw cash to undertake programs due to the nature of government operations. While measures to mitigate some of the risks highlighted above are already in place, the government has further strengthened the management of cash transactions by adopting more innovative and secure solutions like introducing the E-Cash platform that enables MALGs to manage their cash transactions efficiently and securely.

XI. Payment systems legal and regulatory Framework currently under review

An excerpt from the website of Bank of Uganda explains how a review of the payment system legal and regulatory framework in Uganda currently shows that there are several pieces of legislation that are relevant to the regulation of payment systems.

- The Bank of Uganda Act
- The Financial Institutions Act (2016)
- The Electronic Transactions Act (2011) that governs the use, security, facilitation and regulation of electronic communications and transactions as well as encouraging the use of e-Government services and to provide for related matters.
- Computer Misuse Act (2011) that makes provision for the safety and security of electronic transactions and information systems to prevent unlawful access, abuse, or misuse.
- The Contracts Act (2010)
- The Electronic Signatures Act (2011)
- The Anti-Money Laundering Act (2013).

Currently BoU has embarked on the amendment of the Bank of Uganda Act to ensure payment systems are brought into the realm of Bank of Uganda regulation. BoU working with the Ministry of Justice and Ministry of Finance Planning and Economic Development has embarked on drafting the National Payment Systems (NPS) bill which will be enacted into a Payment Systems Law. The Payment Systems Law will be a comprehensive charter for the Bank of Uganda to operate, supervise, regulate and oversee payment systems in Uganda. Passage of this Law is critical to the future of payment systems in Uganda. The NPS Act will grant the Bank of Uganda the legal mandate to perform licensing of payment system providers, payment service providers, and e-money issuers. It will also grant BoU the mandate to impose regulation in the form of norms and standards for providers of payment system services, to request and gather payments-related information, conduct on-site and off-site examinations or take enforcement actions. This will have a significant impact on the overall safety and efficiency of payment systems in Uganda.

2.4. SAGE and DRDIP processes at selected local governments

As part of the feasibility study, two Local Governments of Yumbe and Koboko, in the West Nile region of Uganda were visited, to gather stakeholders' perspectives on and perceptions of using various government payment systems, specifically IFMS, BBS, and E-Cash. A review of the current social protection payment systems for SAGE and DRDIP was also conducted, and the findings are as below:

2.4.1. DRDIP beneficiary's payment process at local government level

In Yumbe and Koboko local governments, DRDIP beneficiaries' payment processes at several levels, including district, sub county, and parish, are unique to each project component. Yumbe local government reported two programs for DRDIP namely: Labour Intensive Public Works and Livelihood Support Programme (LSP), whereas Koboko local government reported only the LIPW.

In the case of Yumbe DRDIP LIPW, the process starts with the development of a community-proposed budget with the help of sector specialists and Community Facilitators (CF), with 50% of this budget dedicated for labour costs and the remaining 50% covering other expenditures. A trusted local lead artisan from the community is chosen to guide participants and record attendance for work done. To ensure completion, the CF and sector specialists inspect the work. For payment, the DRDIP Desk Officer generates a payment request and submits it to the CAO for approval. The funds are then transferred from the local government account to the community group account. The CAO thereby clears the withdrawal of funds from the group account upon which the account signatories including the chairperson, secretary, and treasurer, withdraw and pay the beneficiaries in cash at the village level.

In the case of Yumbe DRDIP Livelihood Support Programme (LSP), the Community Project Management Committee (CPMC) creates a budget with a list of items to be purchased. This money is transferred to a group account. The group meets with CPMC to decide on how much to withdraw. The CF then generates a clearance letter for cash to be disbursed. In doing so, a request is sent to the DDO and CAO for approval and authorization of withdrawal, respectively.

In Koboko's DRDIP LIPW program, the project funds are usually allocated as follows: 50% of the entire project value is spent on beneficiary payments, 30% on inputs, 15% on implementation partners, and 5% on environmental and social protections. Money for the beneficiaries is disbursed as follows: UGX 5,500 for each day worked up to a maximum of 54 days, with UGX 1,500 deducted as mandatory savings from the daily income and UGX 40,000 paid every ten working days. The signatories to the community group account—the CPMC chairperson, secretary, and treasurer, write a requisition and submit it to the DDO for approval. The committee then withdraws the money from the bank and distributes the payments to DRDIP beneficiaries based on the number of days worked from the work attendance list.

2.4.2. Emerging issues surrounding the DRDIP payment system

The study found several inadequacies in the current DRDIP payment system:

I. In both local governments there are occasional delays in processing payments due to absence of one or more of the designated approvers. In addition, the manual approval process for payment is lengthy and the internal audit department must conduct additional checks prior to payments, causing further delays.

II. There are security risks involved in withdrawing and moving with large sums of cash from the bank by the treasurer.

III. Detailed reporting and analytics are difficult with the manual payment system.

IV. Identity verification challenge—sometimes payment sheets include non-participating LIPW beneficiaries.

V. Beneficiaries are unable to utilize their earnings to access financial products like loans from mainstream banking services since they receive cash.

2.4.3. SAGE beneficiary's payment process at the local governments

Process description

Payments for SAGE beneficiaries were initially through MTN mobile money. This proved to be challenging due to the lack of adequate network coverage in some of the local governments making it hard for beneficiaries to access their money. Access challenges were compounded by lack of robust mobile money agent presence in the local governments and faulty sim-embedded cards required for withdrawal, as well as beneficiaries forgetting their PINs. The payment delivery mode then changed to Post Bank and when the contract for Post Bank ended, Centenary Bank was brought on board through a competitive procurement process.

Under the current payment process, when beneficiaries are to be paid, the district notifies the sub-counties that in turn notify the parish leaders, who then prepare and mobilize the beneficiaries. Sub-counties usually receive notification of these payments a few days before payday. On payday, the payment service provider reads out the list of beneficiaries to be paid. Each beneficiary is given a verification note.

The beneficiary is required to present a national ID card or any other valid identification document. The town agent calls the beneficiaries to the line, the bank staff verify the identification documents of the beneficiary after which the beneficiary proceeds to biometric verification and then to the cashier to receive their money. After this, they exit the pay point.

Proximity to pay point

In each district, the distance from the nearest point differed, but was relatively closer in Koboko than in Yumbe. Some beneficiaries in Yumbe walked four kilometres to the nearest pay point, while others walked three kilometres. In Koboko, the nearest distance from the pay point is two kilometres. In both districts, for beneficiaries living in the trading centres, the distance to the nearest pay point is less than half a kilometre.

Cost of collecting money

The cost of collecting money was relatively cheaper in Koboko compared to Yumbe because of the distance to the pay points. In Yumbe, the cost of collecting money from the pay points averaged UGX 10,000. Whereas at two points in Koboko, it cost UGX 2000 for the two randomly sampled payment locations.

Frequency of payments

The frequency of payment varied across the two districts and was inconsistent. In Yumbe, the entitlement is usually received every three months, but some beneficiaries take as long as six or eight months to receive their benefits. In Koboko, some beneficiaries received their entitlement either quarterly or after six months. Beneficiaries expressed preference for receiving their entitlement monthly.

Preference of payment service provider

Beneficiaries preferred platforms other than mobile money. Yumbe beneficiaries unlike their counterparts in Koboko prefer Post Bank, the previous payment service provider platform, over mobile money, whereas Koboko beneficiaries prefer Centenary Bank, the current payment service provider because majority lack mobile phones and struggle with vision issues.

2.4.4. Emerging issues surrounding the SAGE payment system

The study identified several emerging issues with the SAGE payment system:

I. There is delay in releasing payments to beneficiaries.
II. Changes to beneficiaries' next of kin information take long time to be effected and some recipients miss out on payments as a result.
III. Some beneficiaries travel long distances to pay points and incur high associated costs.
IV. Some beneficiaries get lost on their way home due to old age and memory loss.
V. Security risk involved in disbursing cash for the elderly, and alternative recipients defrauding the beneficiaries.
VI. Mismatch in provided identification data with the NIRA database. Similarly, some eligible older persons are excluded from the programme due to lack of NIDs.
VII. Intermittent network and power outages affect bank systems.
VIII. Beneficiaries are restricted in terms of how much they can withdraw – they must take the entire benefit at once.
IX. Grievances and beneficiary complaints are not addressed in a timely manner.
X. Some beneficiaries miss out on payments due to frequent changes in PSPs.
XI. High administrative costs incurred by government in disbursement of the payments to the beneficiaries.

2.5. Perspectives of the beneficiaries and DLGs of the social protection payments

To understand beneficiary experiences using the current social protection payment systems, the study team interacted with beneficiaries and local government.

The beneficiaries highlighted a series of challenges that they experience with the current payment modality namely:

I. Between 6 to 7 hours spent at pay-points waiting for payments.
II. Bank system failure due to poor network.
III. Less money received on beneficiaries' accounts and at times arrears are not paid.
IV. Missing payments due to loss of IDs.
V. Transition from Post Bank to Centenary has been inconvenient. Some beneficiaries have not been migrated to Centenary Bank and are unable to receive their payments.
VI. In Yumbe, beneficiaries were not able to select their own PSPs during registration due to lack of knowledge on available PSPs.

Interactions with DLG showed the advantages perceived with using the proposed payment system over the existing processes:

I. Electronic systems will enable beneficiaries to save money by withdrawing only the amounts they need.
II. The new system will prevent identity theft in payment of SP beneficiaries.
III. Increased efficiency in dispatching SP payments.
IV. Reduction in cost of distributing the benefits.
V. Improved security of public funds.
VI. Capacity of DLGs and communities in financial literacy will be built.

2.6. Local government capacity to implement SAGE and DRDIP payment systems

The study interrogated existing capacity of districts to implement SAGE and DRDIP payment systems. The key findings were as follows:

Inadequate IT infrastructure

To exchange vital programmes information between OPM, MGLSD and the local governments, there must be adequate IT infrastructure. It was observed that the IT infrastructure was inadequate in the local governments visited. Whereas Koboko district offices have access to internet, the Community Service Department does not have active access to NITAU's internet. The community facilitators, for example, lack computers required for reporting and must utilize the DDO's office to write their reports. In Yumbe, it was reported that the local government offices do not have adequate IT infrastructure (Hardware/Software/Internet) to support the programme activities. There's therefore need to enhance the IT infrastructure on a district-by-district basis to enable them carry out social protection and payment related activities efficiently.

Inadequate human resources support IT functions

In Koboko, there are no trained IT officers who support program activities, whereas Yumbe has one IT officer that assists the CFs with IT issues. In Yumbe, the CFs also receive support from the environment office.

Access to mobile telecommunication networks

For payment of beneficiaries through mobile money accounts, the existence of a stable mobile service network is important. The feasibility study focused on the presence and adequacy of the mobile service networks in the two local governments. It was observed that Airtel has the highest mobile network coverage in Yumbe, while MTN is the most prevalent in Koboko. In Yumbe, Airtel provides both data and phone service throughout the local government, reaching all sites including refugee settlements. Except for a few sub counties such as Odravu, Yoyo, and Ariwa, the MTN network covers most of the areas in Koboko. It can therefore be concluded that both local governments visited have access to either of the two most prevalent mobile networks in the country.

Availability of mobile money service providers/agents

The feasibility study assessed the existence of bank and mobile money agents, from where beneficiaries can withdraw their benefits. The study observed that there are many agents in both districts, although Koboko has comparably more. In both local governments, Mobile Money service providers/Bank Agents are willing to offer services for payment of SAGE/DRDIP beneficiaries if given the opportunity.

They also expressed interest in providing financial training to SAGE/DRDIP beneficiaries.

Availability of National IDs for beneficiaries

National Identification Numbers (NIN) are a necessity in targeting and registration of beneficiaries for both SAGE and DRDIP programmes. These act as unique identifiers, thus facilitating payments to only eligible beneficiaries. NINs are also required to open bank accounts and to register sim-cards necessary to access mobile money platform. At the point of withdraw of funds in the existing payment system, SAGE beneficiaries are requested to provide any form of identification which may include a National ID, voter's card, refugee card, etc.

In Yumbe, most people have NIDs including many social protection programme beneficiaries. A few refugees have refugee cards rather than NIDs. All beneficiaries in Koboko on the other hand have either NIDs for Ugandans, attestation ID or refugee ID for Refugees, and passports for Foreigners. In Yumbe, client NINs are accepted by mobile money service providers/bank agents. Those without NIDs must provide refugee cards, LC Letters, or any other identification documents including voter cards, driving permit, passports, or LC ID. However, there are times when the service providers refuse these other identification options because the telecom system requires scanning the barcode on the back of the National ID, to verify client particulars.

2.7. Benchmarking case studies

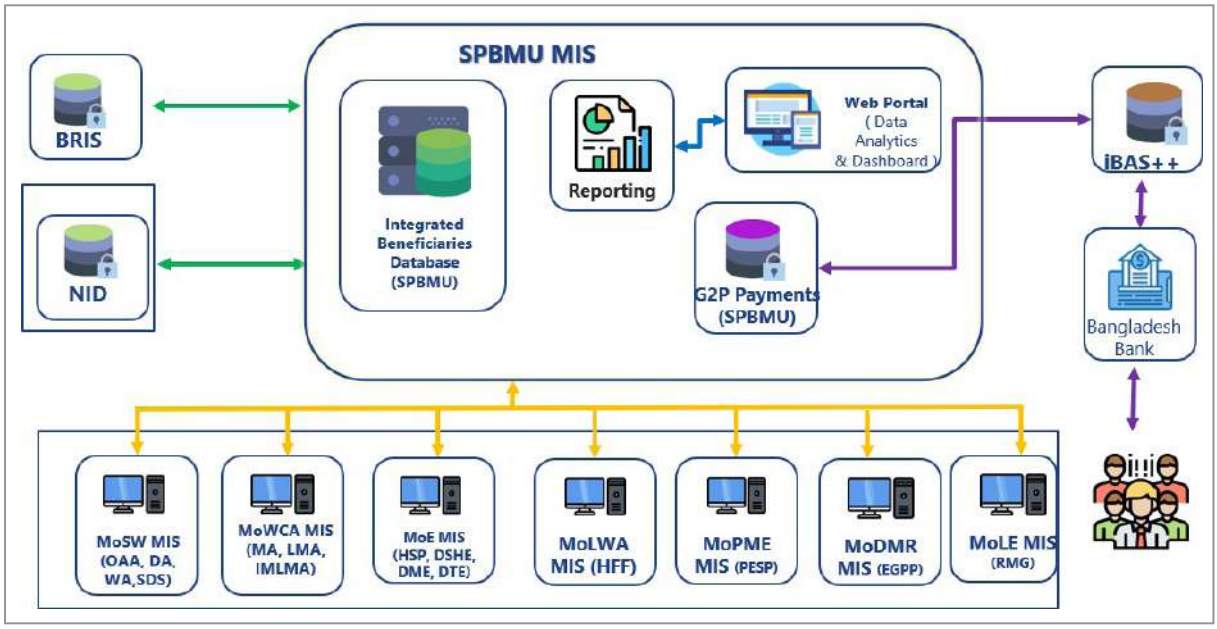
The feasibility study analysed international success stories on the adopted mechanisms for payment of social protection benefits to further enrich the findings. Benchmarking studies were conducted on Bangladesh and Kenya by way of desk/document review.

2.7.1. Key findings from Bangladesh

Bangladesh through its Ministry of Finance deployed Integrated Budget and Accounting System (IFMS) to pay over 35 million [4] social protection beneficiaries electronically. Before this option, beneficiaries had no choice over payment modalities, payment locations were not flexible, and they could only collect money at select times.

4 Strengthening Public Finance for Social Protection 2021 by DAI

Figure 4: Bangladesh Government to Persons (G2P) Payment System (Case Study)



Source: Prospects of using NSR as Single Registry in Bangladesh (Justus Oguna)

The Bangladesh MIS integrated Government to Persons payment system has several advantages:

- The new system brings multiple benefits to the beneficiaries by allowing them to choose their preferred mode of payment (bank, mobile money, Post Office etc.), location (village, union), amounts and time for receiving their allowances at zero charges.
- The efficiencies and effectiveness of the systems were improved upon as most of the scattered pieces and subcomponents were customized, enhanced, and integrated towards generating economies of scale and economies of scope.
- The system is highly efficient, effective, and economical for the government since it significantly improves the government's cash flow management and was developed using existing financial systems and procedures without any new capital investment by the Government.
- The system has internal control mechanisms, improves accountability, is transparent, eliminates many leakages of the existing system and promotes financial inclusion.
- The MIS integrated G2P payment system brings a win-win situation to the beneficiaries as well as for government. It removes many hardships the poor and vulnerable beneficiaries faced in the existing system and provides them a very user-friendly system.

Relevance to the Uganda context

In the context of Uganda, a similar modality could be achieved by processing the Government to Persons (G2P) payments directly from the treasury to beneficiaries' bank or mobile money accounts without going through the intermediary payment service providers.

2.7.2. Key findings from Kenya

Kenya's Inua Jamii Senior Citizens' scheme is a tax-financed pension-tested social pension available to citizens once they reach 70 years of age.1 It was rolled out in 2018. The scheme introduced an innovative new approach to payment service delivery, as recipients were offered a choice between multiple PSPs (Co- operative Bank, Equity Bank, Kenya Commercial Bank and Post Bank). This model presented PSPs with the opportunity to increase geographic coverage reaching previously unbanked pockets of the population. To incentivize PSPs, tiered pricing was offered through zoning,1 and in 2019, both the cash transfer for persons with severe disabilities and the cash transfer for Orphans and Vulnerable Children (OVC) were migrated over to the multiple payment service delivery model, thereby providing the four PSPs with even more financial benefits.

By introducing a new payment service delivery model, the government of Kenya aimed to improve the quality of service, reduce distance to pay-points and provide recipients choice over PSP based on quality of service and additional benefits. Beneficiaries can withdraw their benefits from ATMs, bank agents and branches.

Uganda can copy the provision of several PSPs because they bring several benefits to all stakeholders involved.

3. Proposed Payment Systems and the Attendant Key Readiness Requirements

The overall objective of this study was to assess the feasibility of using the IFMS, BBS Connect and E-Cash electronic systems to deliver SAGE and DRDIP payments to beneficiaries and to provide recommendations to government on how this can be realised. Informed by the assessments conducted both at national and district level, the following are proposed options for implementing Government to Persons (G2P) Payment system in Uganda.

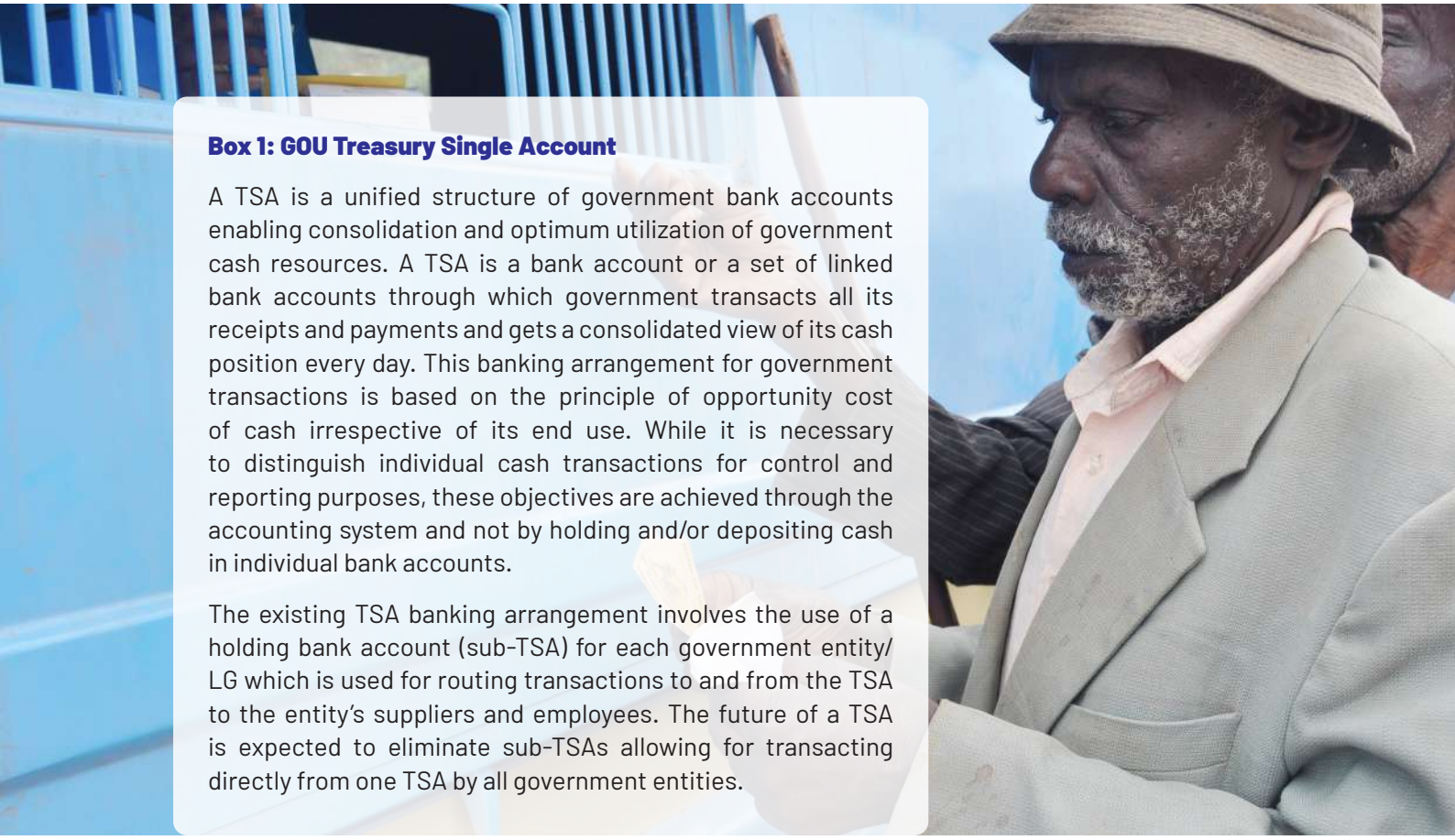
3.1. Proposed payment systems

The following options could be adopted as proposed G2P Payment systems based on the findings from the feasibility study.

3.1.1. Option 1: Using IFMS for paying beneficiaries with bank accounts

This option can be implemented for beneficiaries who have bank accounts and/or will have bank accounts in the future. For this option, the process is as follows:

Every quarter, the Ministry of Finance, Planning and Economic Development (MOFPED) issues expenditure limits to all government MDAs, based on approved budget estimates, annual and quarterly work plans and cash flow projections.



Box 1: GOU Treasury Single Account

A TSA is a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. A TSA is a bank account or a set of linked bank accounts through which government transacts all its receipts and payments and gets a consolidated view of its cash position every day. This banking arrangement for government transactions is based on the principle of opportunity cost of cash irrespective of its end use. While it is necessary to distinguish individual cash transactions for control and reporting purposes, these objectives are achieved through the accounting system and not by holding and/or depositing cash in individual bank accounts.

The existing TSA banking arrangement involves the use of a holding bank account (sub-TSA) for each government entity/ LG which is used for routing transactions to and from the TSA to the entity's suppliers and employees. The future of a TSA is expected to eliminate sub-TSAs allowing for transacting directly from one TSA by all government entities.

I. Upon receipt of expenditure limits as communicated by MoFPED, MGLSD, OPM and local government accounting officers prepare and submit accounting warrants on the IFMS, specifying funds required for the quarter, including funds for SAGE and DRDIP programmes respectively.

II. The warrants submitted on the IFMS are then approved by the budget directorate and accountant general, following which funds can be accessed by MGLSD, OPM and local governments on the IFMS through the Treasury Single Account.

III. The current procedure for selection of beneficiaries will be maintained. Programmes—SAGE and DRDIP will remain the custodian of the data on beneficiaries and will be responsible for regularly updating it through their field staff. Beneficiaries' data will also be digitized using SAGE and DRDIP MIS at the field level. The field team will capture beneficiary NINs, bank account details and upload them onto the MIS. The DRDIP beneficiaries shall be registered using biometrics as is the case with NUSAF III. DRDIP will generate electronic work attendance registers and payment sheets for the LIPW beneficiaries through the DRDIP MIS.

IV. Beneficiaries will choose their preferred payment service provider (bank of choice) and will inform the field officials. Field staff, with the help of community organizations and elected officials, will educate beneficiaries and support them to make informed decisions when choosing PSPs.

V. Beneficiary payment details including account numbers will be set up in the IFMS as suppliers.

VI. Before the start of every payment cycle, the field officers will update the list of beneficiaries in their MIS under each scheme along with the beneficiaries' payment details. For DRDIP, this will involve uploading the biometric attendance registers for the LIPW beneficiaries into the MIS.

VII. The updated beneficiary payment files will be transferred by both SAGE and DRDIP MIS to the National Single Registry for validation.

VIII. The National Single Registry will validate the data with help of NIRA NID database on a real time basis.

IX. The NSR will highlight any data discrepancies. The concerned programme will be responsible for addressing all such discrepancies and updating the beneficiaries' list.

X. The validated payment file (payroll) with individual beneficiaries' payment data will be transferred from the SAGE and DRDIP MIS' to the IFMS automatically through file transfer protocol (FTP) integration. The IFMS shall be updated with new beneficiaries' payment details if any.

XI. The responsible MGLSD/OPM officials and DLGs (for DRDIP) will then process and approve the payment file for beneficiaries in IFMS and submit to Ministry of Finance for further processing.

XII. Ministry of Finance will generate the required EFTs based on individual beneficiaries' payment data in the IFMS.

XIII. The process for purchase of DRDIP LIPW inputs will remain the same, with payments processed through the IFMS by the DLGs and transferred to the community group accounts.

XIV. The responsible MoFPED officials after performing all the required statutory checks prescribed by existing regulations will instruct Bank of Uganda through the IFMS to effect payment to beneficiaries and community group accounts (for LIPW inputs) through the Bank of Uganda banking system.

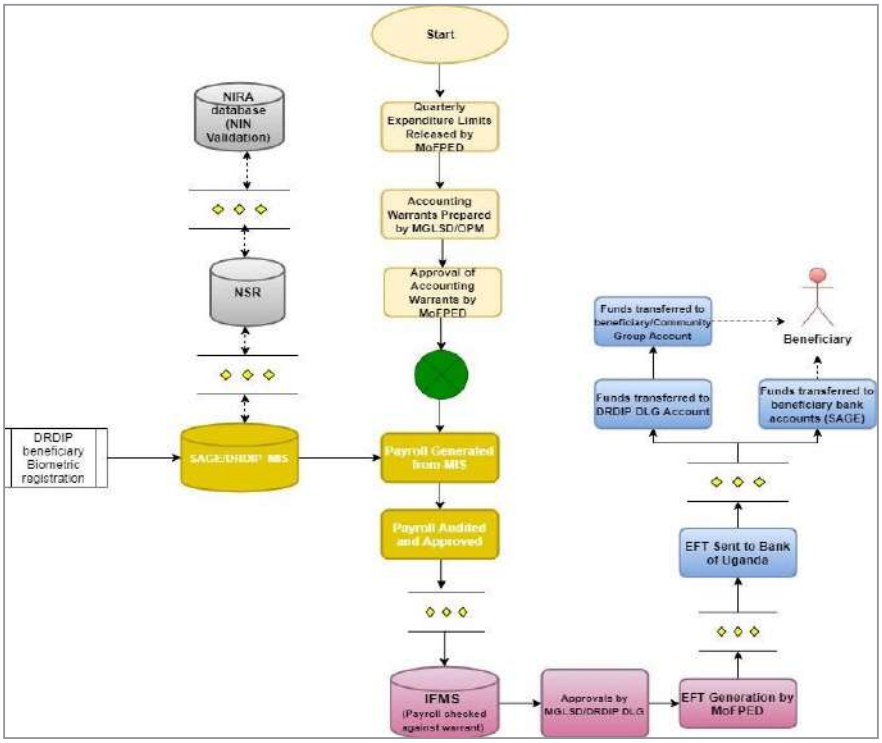
XV. On receiving payment instructions from Ministry of Finance, the Bank of Uganda will access the EFT file from the IFMS platform and will credit the beneficiary accounts and community group accounts (for LIPW inputs) using the BBS.

XVI. Bank of Uganda will transfer payment transaction records back to the IFMS for reconciliation including details of processed and unprocessed payments. IFMS will then sends payment data back to SAGE and DRDP MIS with details on successful and unsuccessful payments.

XVII. Accounting and reporting for the disbursed funds will continue to be conducted as per the existing provisions in the programme operational manuals and the PFM Act and Regulations.

The implementation of this option can be achieved through the direct interface of the IFMS with the SAGE and DRDIP MIS'. The Social Protection MIS' shall also interface with the National Single Registry which is interlinked with the NIRA database, for validation of the beneficiary details, before processing payments. Payments will then be processed from the IFMS to the Bank of Uganda Banking System after which funds will be directly credited to the beneficiaries' accounts in commercial banks and to community group accounts for purchase of DRDIP LIPW inputs.

Figure 5: Using IFMS for paying beneficiaries with Bank Accounts



This option requires interoperability between the SAGE/DRDIP MIS' with the IFMS, so that beneficiary payment files are generated from the MIS' and automatically sent to IFMS for processing. The files should be in a defined, acceptable file format. If all stakeholders involved in the payment cycle are available, this process of cash transfer can take approximately five working days after approval of the payroll.

To enable beneficiaries to withdraw cash from any bank close to them, there is a need to explore the Interswitch solution designed with advanced biometric identification features that help fight banking fraud at point-of-sale (POS) terminals and automated teller machines (ATMs). This solution should also be explored in the future, in collaboration with PSPs for delivering payments under the social protection programmes. The beneficiaries will also be spared the stress of having to remember or change PINS quite often. A similar solution has been implemented for some projects in neighbouring Kenya.

3.1.2. Option 2: Using E-Cash to pay beneficiaries with mobile money accounts

This option can be implemented for beneficiaries who do not possess bank accounts but have mobile money accounts for receiving payments. The process follows similar warranting and cash release processes indicated in Option 1, and therefore appropriations are through the Government of Uganda consolidated fund.

The E-Cash option would follow the process below:

I. Every quarter, the Ministry of Finance, Planning and Economic Development (MOFPED) issues expenditure limits to all government MDAs based on approved budget estimates, annual and quarterly work plans and cash flow projections.

II. Upon receipt of expenditure limits as communicated by MoFPED, MGLSD, OPM and local government accounting officers prepare and submit accounting warrants on the IFMS, specifying funds required for the quarter, including funds for SAGE and DRDIP programmes respectively.

III. The warrants submitted on the IFMS are then approved by the budget directorate and accountant general, following which funds can be accessed by MGLSD, OPM and local governments on the IFMS.

IV. Beneficiaries will choose their preferred mobile money service provider as per their convenience, and fill in the required details in the E-Cash registration forms provided by the field officials of the concerned programme. Beneficiaries that are not registered on mobile money will also be provided with forms authorizing to receive their payments through preferred mobile money numbers owned by relatives or friends.

V. Before the start of every payment cycle, the field officers will update the list of beneficiaries in their MIS under each scheme along with the beneficiaries' payment details. The DRDIP beneficiaries shall be registered using biometrics as is the case with NUSAF III. It is envisaged that DRDIP will further generate electronic attendance and payment sheets for the LIPW beneficiaries through the DRDIP MIS.

VI. The updated beneficiary payment files will be transferred by both SAGE and DRDIP MIS' to the National Single Registry System for validation.

VII. The NSR will validate the data with the help of the NIRA NIN database as well as the databases of all the other programmes captured in the NSR on a real time-basis.

VIII. The NSR will highlight any data discrepancies. The concerned programme will address all such discrepancies and update the beneficiaries' list prior to uploading in the E-Cash platform.

IX. The DLG managing DRDIP and SAGE will send a notification letter seeking funds authorisation to MOFPED. The letter will indicate the purpose of funds, the amount to be paid and the period.

X. Once authorization is obtained, an invoice will be generated on the IFMS, to the E-Cash supplier, and the validated beneficiaries list shall be uploaded into the E-Cash platform.

XI. The uploaded list of beneficiaries and corresponding mobile numbers in the E-Cash platform shall undergo verification and approval by the concerned programme officials. Validation of the beneficiary mobile numbers will be facilitated through integration of the E-Cash platform with the telecom provider systems.

XII. MOFPED will approve the invoice and issue a payment instruction to Bank of Uganda through the IFMS, to credit the E-Cash supplier account. After Stanbic bank (or any selected paying bank) receives the money, they will upload it to the respective entity platform (DLG managing DRDIP or SAGE).

XIII. Once the money is uploaded, the DLG (DRDIP) and SAGE can process payments to the beneficiaries, by logging into the E-Cash platform.

XIV. The selected bank will provide a report through the same platform, detailing processed and unprocessed payments, which can be accessed by programme officials for reconciliation.

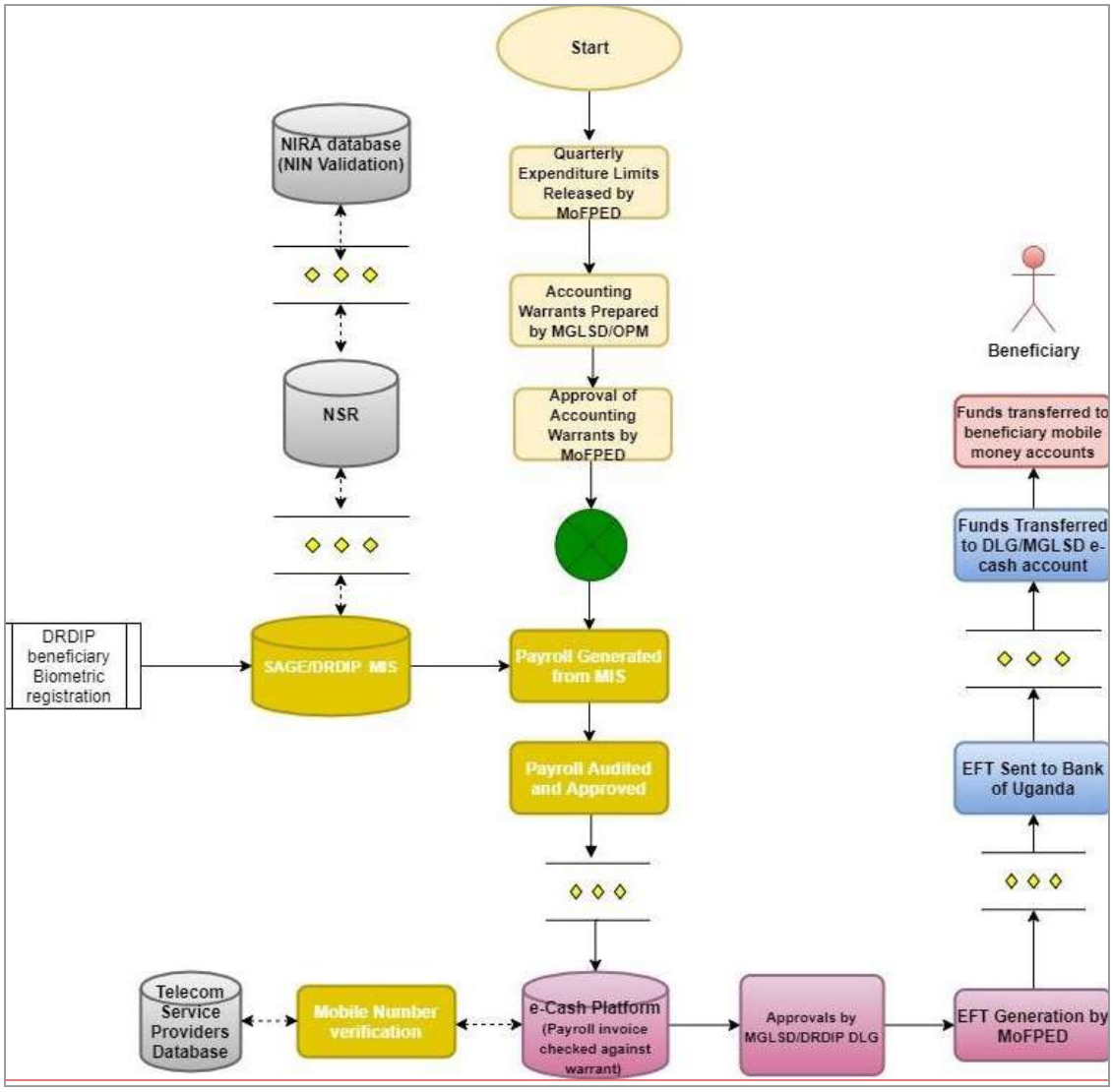
XV. SAGE payments being centralized, MGLSD will share payment reports with local governments notifying them of the successful and failed payments, while DRDIP being decentralized, the DLGs will share payment reports with OPM.

XVI. Accounting and reporting for the disbursed funds will continue to be conducted as per the existing provisions in the programme operational manuals and the PFM Act and regulations.

If all stakeholders involved in the payment cycle are available, this process can take approximately five days after approval of the payroll.

E-Cash has a functionality to transfer funds to both mobile money wallets and to bank accounts. Mobile money wallets are instant while bank accounts take 24 hours. Users prefer the mobile money wallet.

Figure 6: Using E-Cash for Payment of beneficiaries with mobile money accounts



3.2. Key actors and their responsibilities in the proposed payment systems

The anticipated role of the institutions in the proposed payment system options are as below:

Key actors	Responsibilities
ESP project office	• Registration, enrolment, payroll generation, payroll approval • Monitor payments in the field • Capture grievances and case management • Capacity building and sensitizing programme beneficiaries
MGSLD audit, finance and accounting	• Approval of payment list in IFMS • Reconciliation of payments • Auditing
SAGE implementing DLG	• Identification of beneficiaries • Verification, updating and notification of beneficiary deaths
DRDIP implementing DLG	• Process of biometric attendance and generation of payroll • Generate payment requests and submission to CFs and CPMC for verification and approval • Transfer wages to beneficiaries using IFMS/E-Cash • Generate payment acknowledgment receipts for verification and approval by CPMCs • Accountability and reporting on transfers made
DRDIP LIPW community leaders	• Biometric registration • Generate electronic attendance registers • Facilitate display and verification of payment requests by beneficiaries • Approve verified payment requests/lists • Facilitate verification and approval of payment acknowledgement by each beneficiary • Capture grievances and Case management • Contract management of LIPW service providers and approving their invoices
OPM	• Supervise and monitor of DLGs and audit payrolls
MGLSD NSR	• Validate beneficiary data using NID of NIRA
MOFPED	• Generate EFTs through IFMS for submission to Bank of Uganda • Issue payment instructions to Bank of Uganda through the IFMS • Approve invoices generated through the IFMS
Bank of Uganda	• Process EFTs through BBS and instruct commercial banks to process payments to beneficiary accounts
	• Provide bank statements for reconciliation of payments made
PSPs (All, including E-Cash Stanbic)	• Credit beneficiaries accounts and mobile money accounts (for E-Cash) • Submit reconciliation files to Bank of Uganda
NITA-U	• Ensure last mile internet connectivity for social protection DLGs
NIRA	• Issue NINs and National IDs for all Social Protection beneficiaries

3.3. Key recommendations and readiness requirements to support implementation of above options

Broadly, the success of these options hinges on adequate and properly equipped human resource. The study also recommends several readiness requirements to facilitate the proposed payment systems under both SAGE and DRDIP social protection programmes.

Table 2: Key recommendations and readiness requirements to support implementation of the proposed payment systems under SAGE

#	Area	Key Recommendations and readiness Requirement	Responsible
1	Policy, legal and institutional requirements	SIgning Memoranda of Understanding (MOU) are amongst 3rd party system stakeholders required to interface including MOFPED (IFMS), MGLSD (SAGE MIS), NSR, Bank of Uganda (BBS) and Stanbic Bank (E-Cash). The MoUs will clearly describe the roles and responsibilities of each party in the management and administration of beneficiary payments.	MGLSD
		Reviewing and updating SAGE operational manual to align with the revised payment channels.	MGLSD
		Issuing clear guidelines or instructions to all relevant agencies supporting the transition from the current payment systems to the proposed payment systems.	MGLSD
		Signing Service Level Agreements (SLA) with the payment service providers (banks and mobile money service providers) to guarantee an acceptable level of service delivery in effecting beneficiary payments.	MGLSD
		Adherence to the Data Protection Act while implementing the proposed payment systems to regulate the use or disclosure of personal information.	MGLSD
2	Operational and technology requirements	Funds allocated for SAGE/DRDIP programme from both government and donors should be transferred to the government TSA, for access through the IFMS. Donor funds that are dispatched in the middle of the financial year should be declared to MoFPED and tracked there from.	MGLSD, Development Partners
		There should be a digitized database of beneficiaries' payment data including name, account number, account name, NIN, mobile number and choice of payment service provider.	MGLSD
		Systems requiring interfacing i.e. SAGE MIS and IFMS or BBS- Connect should be enhanced and tested to facilitate seamless flow or exchange of beneficiary payment information and reconciliation of data.	MGLSD, MoFPED
		The SAGE MIS should be interfaced with NSR for verification and validation of beneficiary data	MGLSD
		Electronic Funds Transfer generation functionality in the IFMS should be further assessed and if necessary enhanced and optimized to accommodate the huge numbers of EFTs for the SP programmes.	MGLSD, MoFPED

#	Area	Key Recommendations and readiness Requirement	Responsible
		The payment platforms should be able to generate reports on payments made to enable reconciliation with the SAGE MIS.	MGLSD, BoU, selected commercial bank.
		IT infrastructure for SAGE MIS, NSR and IFMS should be assessed and enhanced if necessary, as the pilot is implemented.	MGLSD, MoFPED
		Liaise with NITA-U to ensure stable and reliable internet connectivity to facilitate access to SAGE MIS at the Local Governments	MGLSD, NITAU
		Ensure the System users receive adequate training and capacity building to use the proposed payment system	MGLSD, MoFPED
		Undertake benchmarking studies for lessons learnt from other countries that are using electronic G2P payment systems for social protection payments, ahead of the pilot implementation phase	TWG/WFP
		The existing grievance redress mechanisms in the operational manuals should be updated to include complaint handling from beneficiaries related to the new payment systems	MGLSD
		Payment Service Providers (PSPs) should ensure and demonstrate that their product credits the requisite cash benefits into the bank or mobile accounts of concerned beneficiaries in a timely manner. They should also be able to provide payment notification messages to beneficiaries with registered mobile phones. The PSPs should transfer the non-credited amount back to the cash account of government at the Bank of Uganda immediately after the attempted credits into beneficiary accounts are not successful. This will obviate any scope for withholding money outside the government treasury	Payment Service Providers (Banks)
3	SAGE Beneficiary Requirements	Liaise with NIRA to expeditiously issue NINs for the beneficiaries who do not have	MGLSD, NIRA
		Encourage beneficiaries without mobile phones and sim-cards to secure them or use alternative recipients with mobile phones to receive their funds under E-Cash platform. Additionally, liaise with PSPs and explore the option of using sim card readers for beneficiaries without phones	MGLSD, OPM, LGs, Beneficiaries
		Offer technical assistance/guidance to the beneficiaries, especially in selecting suitable payment service providers, opening bank accounts, registration on mobile money and secure withdrawal of the funds	MGLSD, LGs
		Identify infirm category of beneficiaries who are unable to leave their homes and liaise with PSPs to collectively visit and open accounts for these beneficiaries at their homes	LGs, MGSLD

#	Area	Key Recommendations and readiness Requirement	Responsible
		The SAGE beneficiaries should be stratified based on their characteristics including disability, dementia, frailty etc. during the design of the proposed payment systems	LGs, MGSLD
		Ahead of implementation of the new payment solution, communication and change management sessions need to be conducted with the beneficiaries, so as to manage their mindset/fear for change and foster buy-in and acceptance of the proposed payment mode	TWG, LGs

Table 3: Key recommendations and readiness requirements to support implementation of the proposed payment systems under DRDIP

#	Area	Key Recommendations and readiness Requirement	Responsible
	Policy and legal requirements	Ensuring that Memoranda of Understanding (MOU) are signed amongst 3rd party system stakeholders required to interface or link with each other including; Ministry of Finance (IFMS), OPM (DRDIP MIS), NSR, Bank of Uganda (BBS) and Stanbic Bank (E- Cash). The MoUs will clearly describe the roles and responsibilities of each party in the management and administration of beneficiary payments	OPM
		Reviewing and updating DRDIP Operational Manual and LIPW handbook to be in line with the revised payment channels.	OPM, LGs
		Issuing clear guidelines or instructions to all relevant agencies supporting the transition from the current payment systems to the proposed payment systems	OPM, LGs
		Signing Service Level Agreements (SLA) with the payment service providers (banks and mobile money service providers) to guarantee an acceptable level of service delivery in effecting beneficiary payments	OPM
		Adherence to the Data Protection Act while implementing the Government Payment systems so as to regulate the use or disclosure of personal information	OPM
	Operational and technology requirements	Funds allocated for DRDIP programme from both Government and Donors should be transferred to the Government TSA, for access through the IFMS. Donor funds that are dispatched in the middle of the financial year should be declared to MoFPED and tracked therefrom	OPM, Development Partners
		There should be a digitized database of beneficiaries' payment data including Beneficiary's Name, Account Number, Account Name, National ID Number, Mobile Number and choice of payment service provider	OPM, LGs
		Systems requiring interfacing i.e. DRDIP MIS and IFMS should be enhanced to facilitate seamless flow or exchange of beneficiary payment and reconciliation data	OPM, MoFPED
		The DRDIP MIS should be interfaced with NSR for verification and validation of beneficiary data	OPM

#	Area	Key Recommendations and readiness Requirement	Responsible
		Electronic Funds Transfer (EFT) generation functionality in the IFMS should be further assessed and if necessary enhanced and optimized to accommodate the huge numbers of EFTs for the SP Programme	OPM, MoFPED
		The payment platforms should be able to generate reports on payments made to enable reconciliation with the DRDIP MIS	OPM, BoU, Stanbic Bank (selected commercial bank)
		IT infrastructure for DRDIP MIS, NSR and IFMS users should be assessed and enhanced if necessary, as the pilot is implemented	OPM, MoFPED
		Liaise with NITA-U to ensure stable and reliable internet connectivity to facilitate access to DRDIP MIS and IFMS at the Local Governments	OPM, NITAU
		Introduce biometrics in the registration and attendance tracking for LIPW beneficiaries under DRDIP to facilitate electronic generation of attendance and payment sheets.	OPM, DLGs, NITAU
		Develop social registry that is vital in enrolment of beneficiaries.	OPM, DLGs
		Ensure system users receive adequate training and capacity building to use the proposed payment system.	OPM
		Undertake benchmarking studies for lessons learnt from other countries that have adequate social protection payment systems in place, ahead pilot implementation.	TWG, OPM
		Service providers for DRDIP programme at local government should also be paid directly through the normal government procedure (IFMS) for improved accountability of LIPW non-wage funds and reduction in travel costs for withdrawals.	DRDIP DLGs, MoFPED
		Payment Service Providers should, in a timely manner credits beneficiary bank or mobile accounts. They should also be able to provide payment notification messages to beneficiaries with registered mobile phones	Payment Service Providers (Banks)
	DRDIP beneficiary requirements	Liaise with NIRA to expeditiously issue NINs for beneficiaries without.	OPM, NIRA, LGs
		Encourage beneficiaries without mobile phones and sim-cards to secure them or use alternative recipients under E-Cash platform. Additionally, liaise with PSPs and explore the option of using sim card readers for beneficiaries without phones.	OPM, LGs Beneficiaries
		Offer technical assistance/guidance to beneficiaries when selecting payment service providers, opening bank accounts, registering on mobile money and withdrawing funds.	OPM, LGs
		Ahead of implementation of the new payment solution, communication and change management sessions need to be conducted with the beneficiaries, to manage their expectations and foster buy-in and acceptance of the proposed payment modalities.	OPM, LGs

3.4. Challenges and solutions for the proposed payment systems

There are several anticipated challenges that are likely to hinder the implementation of the proposed payment options. The study also proposes solutions to these challenges to enable execution of the payment processes, ensuring that envisaged objectives are met.

Table 4: Key challenges and solutions for the proposed payment systems

A.	**IFMS payment system**	
#	**Key challenges**	**Proposed solutions**
1	Requires regular setup and update of beneficiaries as payees in the IFMS, which is cumbersome and can lead to errors in payment information.	Conduct regular cleansing of beneficiaries' data in the social protection MIS', so that only eligible beneficiaries with correct payment information are setup in the IFMS.
2	Some beneficiaries do not have NINs to open bank accounts, and the process for obtaining one is lengthy.	Work with NIRA to prioritize social protection beneficiaries in issuance of NINs. Encourage beneficiaries to obtain NINs during change management and sensitization sessions.
3	Requires interface with social protection systems which may be time-consuming and costly.	Adequately plan for funds for the interface project, and adopt project management frameworks during implementation to execute the project within the desired timelines, cost and scope.
4	Requires fast internet connection.	Work with NITA-U to provide adequate bandwidth to facilitate payment processing.
5	Payments are made through bank accounts, which beneficiaries may not have, or may be illiterate to operate.	Provide technical guidance to beneficiaries when selecting PSPs and opening and operating bank accounts.
6	It may be difficult for beneficiaries in rural areas to access banks since most banks are in urban centres.	Use agent banking as an alternative for withdrawal of funds.
7	Security risk due to beneficiaries' failure to safeguard their ATM pin codes.	Use advanced biometric features to withdraw from ATMs; a solution designed by Interswitch.
8	Staffing challenges due to the need for dedicated staff to create the numerous users/beneficiaries' entries in the IFMS.	Adopt a phased implementation approach so as not to overwhelm the staff.
B.	**E-Cash platform**	
#	**Key challenges**	**Proposed solutions**
1	E-Cash is offered by only Stanbic Bank posing a risk of payment delays in case of system downtime.	Sign Service Level Agreement with Stanbic Bank, to guarantee 99.99% high availability of the system whenever payments are to be made. MGLSD should also establish if other banks can offer the same service and what it takes to do so.
2	Illiteracy of beneficiaries to use mobile money and higher cyber security risk that may be caused by mismanagement and forgetting of mobile money PINs by beneficiaries.	Conduct regular sensitization programmes to educate beneficiaries on how to register and use mobile money and safeguard to their mobile money pins.

3	Transaction charges are high as these are borne by both government and the beneficiaries.	With E-Cash, beneficiaries can opt to provide bank accounts and be paid directly through the account, to avoid mobile money withdraw charges. Also, discussions could be held with MNOs to explore the option of subsidizing the service for beneficiaries as part of their Corporate Social Responsibility.
4	Requires ownership of a mobile phone and sim-card which some beneficiaries may not possess.	Appraise the beneficiaries that with E-Cash, they can authorize payments to be made to other trusted third parties of their choice, owning mobile money accounts. Liaise with PSPs and explore the option of using sim card readers for beneficiaries without phones.
5	Some beneficiaries do not have NINs required to register their phone numbers.	Liaise with NIRA to prioritize social protection beneficiaries in issuance of NINs. Encourage beneficiaries to obtain NINs during change management and sensitization sessions.
6	Risk of fraud due to use of alternative recipients to receive funds on behalf of the beneficiaries. Alternative recipients also make accountability hard as they do not link to the originally registered beneficiaries.	Encourage beneficiaries to avoid alternative recipients and where it is not possible, sensitize and encourage beneficiaries to select trusted alternative recipients. Alternative recipients should be declared at the beginning during registration. SAGE and DRDIP field officers to regularly follow up with beneficiaries for payment receipt confirmation.
7	Some beneficiaries struggle with vision impairment and are unable to operate mobile phones.	Withdraw funds through trusted alternative recipients.
8	Mismatch of names of beneficiaries with those registered with mobile network operators during validation.	Phones can be registered as alternative recipients' numbers while filling the E-Cash forms by beneficiaries. Sensitize beneficiaries to register phones in their names, especially if they have NINs.
9	Some agents do not have enough float to meet the withdrawal requests of the beneficiaries.	Sensitize MNOs to avail more cash on pay days.
10	Limited number of mobile money agents.	Encourage businesses to register and operate mobile money business.
11	Integrity of mobile money operators is not guaranteed.	Enforce licencing of mobile money agents.
12	Some social structures (religion, cultures) frown on women's ownership of phones.	Conduct sensitization for such groups and/ or propose alternative modalities such as bank accounts.

4. Cost Benefit Analysis

A Cost Benefit analysis on use of the IFMS, E-Cash and BBS Connect, in comparison to the existing payment systems was undertaken, with the intention of determining the most feasible solution for dispatching social protection beneficiary payments. This involved analysis of costs involved in transfer and withdrawal of beneficiary cash and benefits and limitations of each of the proposed payment platforms.

4.1. Benefits and limitations

All the payment systems including current and proposed were assessed to determine benefits and limitations.

4.1.1. Current systems

SAGE payment system through beneficiary cash-out points

Benefits

- Verification of beneficiaries is through biometrics ensuring that only eligible beneficiaries are paid.
- The current payment modality enables socialization amongst the beneficiaries and this has several benefits such as improved mental health and promoting a sense of belonging. The programme field teams also use pay days to conduct sensitization sessions for the beneficiaries, thus reducing on administrative costs.

Limitations

- Beneficiaries may miss payments if they do not receive messages pay day schedules.
- Payments are made by only one service provider. The lack of option inconveniences beneficiaries.
- There is delay in releasing payments to beneficiaries.
- Failure of biometrics resulting in missed payments.
- Beneficiaries' changes of next of kin information take long to reflect resulting into missed payments.
- Funds withdrawn may remain undisbursed and idle in the intermediary banks.
- High direct costs incurred by GoU due to high bank charges.
- Travel costs to pay points incurred by beneficiaries.
- Beneficiaries face a security risk when carrying significant sums of cash and may be defrauded by alternate recipients.
- Intermittent bank system network and power outages disrupt payments.
- Beneficiaries are restricted in terms of amount of cash to withdraw.

DRDIP payment system through lump-sum transfer and cash withdrawal

Benefits

- Beneficiaries do not have to visit banks for payments saving them time and money that would have been spent on travel.
- Transfer of funds from OPM/MoFPED to the local governments is swift since lump-sums are transferred.
- Management of group accounts by communities builds capacity, exposure and empowers the leadership.

Limitations

- It is difficult to authenticate disbursements just with signatures only.
- Delays in processing payments, due to absence of one or more of the designated approvers for the funds.
- The manual approval process for payment is lengthy.
- Security risk involved in withdrawing and moving with large sums of cash from the bank by the treasurer.
- High opportunity cost as funds withdrawn, remain undisbursed and parked in the intermediary bank.
- High bank charges incurred by GoU.
- Difficult to verify whether intended beneficiaries are paid.
- Generation of payment lists is manual which is time-consuming

4.1.2. Proposed payment systems

IFMS payment system for beneficiaries with bank accounts

Payment directly to the beneficiary bank accounts using the IFMS has these benefits and limitations:

Benefits

I. Ensures timely payment of beneficiaries as funds are transferred directly from Bank of Uganda to beneficiaries' accounts without intermediary bank.
II. Enables automated payments thus reducing the amount of paperwork.
III. It is fast as it supports batch payments and can be done from any location with internet connectivity.
IV. Supports audit trail thus fostering accountability of funds disbursed.
V. Facilitates timely reconciliation of payments made through integration of the BBS – connect and the IFMS.
VI. It supports straight through processing without human intervention.
VII. Bank withdrawal charges are minimal.
VIII. Has secure and encrypted transaction processing.
IX. Ensures that the right beneficiaries are paid the correct amount and in time.
X. Enables the beneficiary to choose their preferred service provider.
XI. Beneficiaries have control of the amount of cash they wish to withdraw.
XII. Cabinet waived the requirement for TINs before a payee is registered on IFMS for Social Protection beneficiaries. This would have caused operational hindrance in the implementation of electronic payment systems.

IFMS Limitations

I. Requires regular setup and update of beneficiaries as payees in the IFMS, which is cumbersome and can lead to errors in payment information.
II. Requires adequate internet to process payments.
III. Requires interface with social protection systems, achievement of which may be time-consuming and costly.
IV. Payments are made through bank accounts, which beneficiaries may not have, or may be illiterate to operate.
V. Some beneficiaries do not have NINs to open up bank accounts, and the process for obtaining one is lengthy.

E-Cash payment to beneficiary mobile money accounts Benefits

I. Offers efficiency and convenience in receipt and withdrawal of funds by beneficiaries, through mobile money payments.
II. Beneficiaries don't need a bank account.
III. Payment is instant provided funds are available on the paying entity's E-Cash portal. Treasury processes the payment within two working days to the E-Cash account in Stanbic.
IV. It supports batch payments and can be done from any location with internet connectivity.
V. Does not require integration with IFMS and therefore implementation costs are minimal.

VI. Supports audit trail thus fostering accountability of funds disbursed.
VII. Beneficiaries can withdraw funds at their time of convenience.
VIII. Facilitates reconciliation of payments made with the actual beneficiary list through reports generated from E-Cash system.
IX. It is flexible, as beneficiaries with mobile numbers not registered for mobile money can authorize payments to be made to other registered third parties. In addition, beneficiaries can opt to provide bank accounts and be paid directly to the account.
X. Ensures that the right beneficiaries are paid the correct amount and in time.
XI. Minimizes beneficiary transport costs since mobile money agents are widely spread in the localities.
XII. Beneficiaries have control of the amount of cash they wish to withdraw

Limitations

I. E-Cash is currently offered by only Stanbic Bank, which poses risk of payment delays in case of system downtime.
II. Many beneficiaries are illiterate and face difficulties using mobile money and consequently face higher cyber security risks caused by mismanagement and forgetting mobile money pins.
III. Transactional charges (deposit and withdraw) are high and borne by both government and the beneficiaries.
IV. Requires ownership of a mobile phone and sim-card which some beneficiaries do not have.
V. Some beneficiaries do not have NINs required to register their phone numbers.
VI. Mis-match in names of registered beneficiaries with mobile network operator registers since some beneficiaries may have phone numbers registered in other people's names.
VII. Risk of fraud due to use of alternative recipients to receive funds on behalf of the beneficiaries.

4.2. Associated costs for the proposed payment systems

4.2.1. Under SAGE

The analysis below shows costs involved in implementation of existing options for payment of SAGE beneficiaries.

Table 5: Cost analysis of SAGE social protection payment systems

Payment System	Implementation Costs	Transaction costs per beneficiary payment per annum	Example – Cost for paying 300,000 beneficiaries (UGX 75,000 per quarter)	Description of costs
SAGE payments through Centenary Bank	Already existing and operational	13,800 (Transaction cost is UGX 3,450 per SAGE quarterly payment and hence UGX 13,800 per payee annually)	4,140,000,000	*Transaction costs are borne by government

Payment System	Implementation Costs	Transaction costs per beneficiary payment per annum	Example – Cost for paying 300,000 beneficiaries (UGX 75,000 per quarter)	Description of costs
E-Cash	None (Already existing and operational)	2850 (E-Cash charges 0.95% per transaction, hence UGX 712.5 (0.95%*75,000) per quarterly payment and UGX 2,850 annually)	855,000,000	* The transaction costs are borne by government
IFMS	Approximately USD 50,000 (UGX 190,000,000)[5]	8000 (UGX 2000 per quarterly transaction)	2,400,000,000	*Implementation costs include development costs for IFMS and SAGE MIS Interface *Transaction costs are borne by government

Based on the above table, the following is observed:

Government will save UGX 3,285,000,000 when using E-Cash payment platform, compared with the existing SAGE Payment system through Centenary Bank.

Government will save UGX 1,550,000,000 for the first year of implementation in transaction scosts and this could rise to UGX 1,740,000,000 annually after the one-off cost of developing the interface, when using IFMS, in comparison with the existing SAGE payment system through Centenary Bank.

Table 6: Withdraw costs incurred by SAGE beneficiary under each payment system

Payment System	Cost incurred per transaction
IFMS	UGX 3,187.5 (Thus UGX 187.5 average bank withdraw transaction charges[6] and UGX 3,000 average travel to nearest bank/agent).
E-Cash (mobile money)	3,300 (UGX 2,300 Mobile money withdrawal charges and UGX 1,000 average travel to nearest mobile money agent)
SAGE payments through Centenary Bank	6,000 (UGX 6,000 average cost of travel to pay point)[7]

The table above shows that the beneficiary saves about UGX 2,812.50 (Ugx 6,000-3,187.5) in form of transaction charges and travel costs using IFMS payment system, in comparison to the existing SAGE Payment system through Centenary Bank, while a saving of UGX 2,700 (Ugx 6,000-3,300) is realized under E-Cash system.

5 Cost includes IFMIS-DRDIP/SAGE MISs interface and operationalization of National Single Registry (NSR) interface with DRDIP and SAGE MISs
6 Bank withdraw charges – average of 0.25% of withdraw value
7 No withdraw charges for current SAGE payment system to beneficiary

4.2.2. Under DRDIP

The analysis below shows costs involved in implementing existing options for payment of DRDIP beneficiaries. The costs below are borne by Government and not the beneficiaries.

Table 7: Cost analysis of DRDIP social protection payment systems

Payment System	Implementation Costs	Transaction costs per DRDIP beneficiary payment cycle	Example – Cost for paying 141,842[8] DRDIP beneficiaries (UGX 40,000 per 10 working days and 4 payment cycles per year)	Description of costs
Current DRDIP payment system	None (Already existing and operational)	37,500 (average bank charges per payment cycle)	UGX 2,322,840,000 (5,956 total number of DRDIP projects*97,500 (average bank charges 37,500[9] and 60,000 average withdraw transport costs for CPMC per payment cycle)*average 4 beneficiary payment cycles per year)	*Transaction costs are borne by government
E-Cash	Already existing and operational	380 (E-Cash charges 0.95% per transaction)	UGX 215,599,840 (380 E-Cash charges*141,842 total number of DRDIP beneficiaries*4 beneficiary payment cycles)[10]	* The transaction costs are borne by government
IFMS	Approximately USD 50,000 (Ugx 190,000,000)	UGX 2000 (per transaction)	UGX 1,134,736,000 (2,000 transaction costs*141,842 total number of DRDIP beneficiaries*4 beneficiary payment cycles)	*Implementation costs include development costs for IFMS and DRDIP Interface *Transaction costs are borne by government

Based on the above table, these conclusions were made:

Government will save **UGX 2,107,240,160** in transaction costs through usage of E-Cash payment platform, in comparison with the existing DRDIP Payment system. (Ugx 2,322,840,000 - 215,599,840).

Government will save **UGX 998,104,000** for the first year of implementation and this could rise to UGX 1,188,104,000 annually after the one-off cost of developing the interface[11], in transaction costs through usage of IFMS payment system, in comparison with the existing DRDIP Payment system through Commercial Banks (Ugx 2,322,840,000 - 1,134,736,000).

8 Total number of payees under DRDIP is 141,842
9 Average annual bank charges per DRDIP project are UGX 150,000
10 Report assumes an average of 4 beneficiary payment cycles per year with each beneficiary working for 54 working days and paid fortnightly
11 This cost excludes the cost of digitizing the LIPW participants' register through biometrics and hence generating the payroll electronically

Table 8: Withdraw Costs incurred by DRDIP beneficiary under each payment system

Payment System	Cost incurred per transaction
E-Cash (mobile money)	3,300 (UGX 2,300 mobile money withdrawal charges and UGX 1,000 average travel to nearest mobile money agent).
IFMS	3,187.5 (UGX 187.5 average bank withdraw transaction charges and UGX 3,000 average travel to nearest bank/agent).
Current DRDIP Payment System	No travel cost for beneficiaries. However, CPMC spends on average UGX 60,000 to withdraw funds.

Whereas the beneficiary doesn't incur any costs in receiving money under the current DRDIP system, the CPMC spends about UGX 60,000 in travel costs to the bank for withdrawals.

4.3. Time cost and visit (TCV) – a comparative analysis

The following table provides a TCV analysis of existing and G2P systems focusing on the beneficiary experience.

Table 9: Time Cost and Visit (TCV) Analysis

TCV	Parameters	Existing Payment System	Proposed G2P Payment Systems	Results
Time	Payment List Generation	Few minutes when using automated systems. For manual systems, takes more than a week to update and prepare payroll.	Few minutes to update database	Significant reduction of time in case of G2P payment system with greater efficiency gains
	Payment time	It takes a Week, on average, from submission of bills to transfer funds to intermediary banks after getting MOFPED approval.	Maximum 2 days from submission of bills by government officials, generating EFTs by MOFPED to transmission to Bank of Uganda using IFMS.	
	Intermediary banks transferring to beneficiaries	Can take months up to six	Funds are transferred instantly from Bank of Uganda directly to beneficiaries' accounts.	
	Collection of payment	At least a day at bank in long queues on the designated date of payment, in addition to time taken for visits.	Beneficiaries can withdraw allowances at any time and day. No visit to bank is needed if payments are done through E-Cash.	
Cost	Collection of payment	High costs related to repeated Visits to the pay points and Banks.	Reduced travel cost for beneficiaries as they can withdraw funds from a location convenient to them.	Average savings of UGX 6,000 by each beneficiary as a result of reduced cost related to travel and above UGX 3BN for government annually.
Visits	Collection of payment	Repeated Visits to the pay points and banks for collection of payments.	Visits to pay points and banks are reduced or not required.	Savings due to reduced visits to pay points and banks.

4.4. Other non-financial benefits for SAGE

Some of the other non-financial benefits for deploying electronic payment systems for SAGE include:

I. **Financial inclusion:** Providing electronic payment options can bring older individuals into the formal financial system if they were previously unbanked. This inclusion can provide them with opportunities to save, access credit, and participate in economic activities.

II. **Reduced risk to fraud and theft:** Electronic payments minimize the risk of loss due to theft or fraud. Older persons are more vulnerable to scams and robberies and electronic payments can reduce this.

III. **Health and safety:** Electronic payments can promote the health and safety of older individuals by minimizing their exposure to crowded places and associated risks.

IV. **Timely disbursement:** Electronic payments are often processed faster than traditional methods, ensuring that elderly beneficiaries receive their grants promptly and consistently, reducing financial stress.

V. **Dignity and empowerment:** older persons can maintain their dignity by receiving their assistance discreetly and privately through electronic transfers, avoiding potential embarrassment associated with receiving aid.

VI. **Digital literacy:** Introducing electronic payments can expose older persons to digital technology, promoting digital literacy and reducing the digital divide across generations.

5. Conclusion and Deployment Strategy for Proposed Payment Systems

Digital transformation is a priority pillar of Uganda's Vision 2040, a 30-year development masterplan envisioning transformation of Uganda from a predominantly rural and low-income country to a competitive and market-driven upper middle-income country, by 2040. The deployment of electronic Government to Persons payment systems for payment of social protection cash benefits is in tandem with this vision. This feasibility study identified two feasible payment systems for processing social protection payments namely:

Option 1: Using IFMS – ideal for paying beneficiaries with bank accounts.

Option 2: Using E-Cash to pay beneficiaries with mobile money accounts.

Option 1 (IFMS) is viable for beneficiaries with bank accounts, or those willing to get them, especially beneficiaries in urban areas that are closer to banks. The option is cheap in terms of transaction costs, facilitates timely payment of beneficiaries as funds are transferred directly from Bank of Uganda to beneficiaries' accounts. However, it requires regular upload and update of beneficiary payment data in the IFMS since all payees through the IFMS must be setup as suppliers. This is cumbersome and prone to payment information errors, given the volume of beneficiaries' data that needs to be uploaded and updated. In addition, it requires integration of the SAGE and DRDIP MIS' with IFMS to facilitate exchange of beneficiary payment information. Creating this interoperability requires high development and implementation costs.

Option 2 (E-Cash) offers efficiency and convenience to beneficiaries in receipt and withdrawal of funds through mobile money. Additionally, since it is already available and used by government, it does not require integration with the SAGE and DRDIP MIS' minimising implementation costs. It is flexible and beneficiaries that have not registered for mobile money can authorize payments to be made to other registered third parties. Furthermore, beneficiaries can opt to provide bank accounts and be paid directly through the account.

The above options are supported under the existing legal framework and can be adopted to pay both SAGE and DRDIP beneficiaries. Through the two options, beneficiaries will receive their funds electronically and conveniently, either through mobile money or bank accounts. The study shows that it is more cost- effective for government to pay SAGE and DRDIP beneficiaries using the proposed options.

Continuing to rely on conventional cash payment methods for disbursing social assistance grants engenders a lack of transparency in the distribution process, impeding accountability. Secondly, the reliance on physical cash transactions exposes both recipients and distribution personnel to heightened security risks including theft, fraud, or loss given the unique vulnerabilities of older persons. Moreover, the costs for government in disbursing the funds is high compared to the cashless options. Transitioning to electronic payment mechanisms offers a solution that addresses all these challenges by enhancing security, transparency, and cost-effectiveness while facilitating beneficiary empowerment.

Whichever payment modality is selected, the transition from the current payment modalities to the proposed system should be gradual, and implementation phased according to the readiness of local governments including required network coverage, electricity and access to financial services.

Other than E-Cash, IFMS and BBS, the study didn't establish any other existing G2P electronic payment delivery systems in place.

As a way forward, the study proposes adopting the below process to implement the proposed options.

I. Validate and agree on the preferred payment platform with all relevant stakeholders.

II. Develop a roadmap for implementation of the proposed payment system with time-bound, realistic action plans and well-defined roles and responsibilities, and seek approval from MGLSD/OPM top management for the same.

III. Engage cabinet for approval of the pilot and rollout of the proposed payment systems in select local governments. The pilot is expected to include these key steps:

   a. Undertake user requirements gathering and develop functional and technical specifications for the proposed payment system.

   b. Define the required data sharing parameters and interface operation. Develop, test and deploy the Interface.

   c. Develop MoU with third party system stakeholders involved in the social protection payment systems.

   d. Undertake capacity building, communication and change management for all stakeholders.

   e. Implement the proposed payment platforms in the pilot local governments.

   f. Post assessment of the pilot implementation, document lessons learnt and resolve identified gaps.

   g. Rollout the payment system to the rest of the local governments in a phased manner.

Additional considerations to improve delivery of social protection payments

I. Digital payments solution provider, Interswitch has a solution designed with advanced biometric identification features that helps fight banking fraud at point-of-sale (POS) terminals and automated teller machines (ATMs). This solution should be explored in the future, in collaboration with PSPs to enable beneficiaries withdraw cash from any bank and to enjoy increased safety. The beneficiaries will also be spared the stress of having to remember or change access pin codes often. A similar solution has been implemented in neighbouring Kenya.

II. Introduce touch-free options including iris scan for withdraw of funds by beneficiaries, especially given the current COVID-19 outbreak that can be transmitted through fingerprint biometrics.

III. The DRDIP project, being community based should be aligned to the Parish Development Model to facilitate better coordination and improve service delivery by ensuring that the two programs are working together seamlessly to meet the needs of beneficiaries at the lower levels of government.

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7. Annexes

7.1. List of documents received

I. National Social Protection Policy 2015
II. National Social Protection Program Plan of Implementation
III. SAGE operational manual
IV. National Single Registry implementation status report, June 2020
V. Development Response to Displacement Impact Project Operations manual
VI. IFMS journey
VII. E-Cash operational manual
VIII. National Payment Systems Policy
IX. The National Payment Systems Act,2020
X. The Public Financial Management Act, 2015 as amended
XI. The Public Financial Management Regulations, 2016
XII. Treasury Instructions 2017
XIII. Electronic Transactions Act 2011
XIV. Computer Misuse Act (2011)
XV. Financial Institutions Act (2016)
XVI. Electronic Signatures Act (2011)
XVII. Anti-Money Laundering Act (2013)
XVIII. Data Protection and Privacy Act 2019
XIX. The Registration of Persons Act, 2015
XX. Advancing Digitalization of Social Protection Systems in Uganda (World Bank Report)
XXI. Report on Costed Reform Plan for Social Protection Cash Payments in Bangladesh

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THE REPUBLIC OF UGANDA
MINISTRY OF GENDER, LABOUR, AND
SOCIAL DEVELOPMENT

Vision:
A better standard of living, equity and social cohesion

Mission:
Promotion of gender equality, social protection and transformation of communities

Goal:
Promote employment and productivity, positive cultural values, rights of vulnerable groups and gender responsive development

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